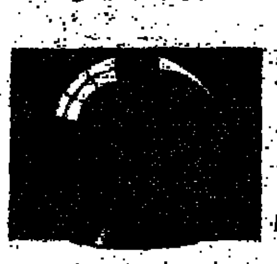
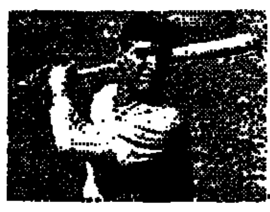


New Year predictions
FT specialists make their forecasts
Page 11



International diary
Unmissable events worldwide
Page 3

Eastern Europe
The Marshal Plan of the Mind
Page 10

Management
BTR: a giant's rise, fall and climb
Page 6

FINANCIAL TIMES

Europe's Business Newspaper | MONDAY JANUARY 2 1995 | D8523A

British minister is accused of lying to parliament

British foreign secretary Douglas Hurd was accused by an opposition member of parliament yesterday of lying to the House of Commons about four alleged breaches of government rules on financing for aid projects in relatively prosperous countries. The charges, arising from Mr Hurd's admission that he illegally endorsed a £216m ($337m) aid donation towards Malaysia's Pergau dam, would almost certainly lead to the foreign secretary's resignation if proved.

Bosnian truce takes hold: United Nations mediators voice optimism about peace prospects as Bosnia's Moslem-led government and Bosnian Serbs started a four-month ceasefire. Page 2

Mass murder suspect found dead: Frederick West, the British builder accused of murdering 12 women, was found hanging in his jail cell. West's wife Rosemary, has been accused with him of nine of the murders at their house in the western England city of Gloucester. Page 5

France takes helm of EU: France began its six-month presidency of an enlarged European Union. Sweden, Finland and Austria joined the EU, increasing the EU's members to 15, its territory by one third, its population by 6.2 per cent and its gross domestic product by 7 per cent. Page 12

Cardoso becomes Brazilian president: Fernando Henrique Cardoso became president of Brazil, promising to deliver continued growth and to tackle the country's vast social problems. Page 3

Saatchi & Saatchi, the UK advertising group, has rejected at least one recent offer for its Bates network of agencies, believed to have come from the New York-based Ayer agency. Meanwhile Maurice Saatchi, deposed chairman of Saatchi & Saatchi, has until tomorrow to decide whether to accept the largely honorific title of group president and chairman of the Saatchi & Saatchi advertising subsidiary. Page 13

European Monetary System: The EMS grid weathered some fairly sharp price movements last week, with the result that the Danish krone slipped below the French franc. Thin trading ahead of new year and political worries in Spain and France pushed both currencies to record lows. A rise in French base rates to 8.25 per cent later helped the franc recover some of its losses. Currencies, Page 21

EMS Grid December 30, 1994

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

Saudis to pay domestic creditors: King Fahd of Saudi Arabia ordered his finance ministry to give priority to meeting a backlog of payments to domestic creditors in the kingdom. Diplomats and economists estimate the government owes billions of dollars to contractors and suppliers. Meanwhile the world's biggest oil producer almost doubled local petrol prices and raised electricity charges. Page 2

Poles knock off the noughts: Polish banks began removing the zeros from zloty bank accounts after the country made 10,000 old zlotys into one new zloty. The move reflects confidence that Poland's double-digit annual inflation will be down to a single figure by 1997. Page 12

BTR may appoint outside directors: BTR, the UK-based conglomerate whose shares have fallen by a quarter in the past three months, is considering appointing its first outside directors as it tries to rebuilt investor confidence. Page 13

British Gas, the privatised UK utility, admitted it was discussing moves such as contracting out its meter reading service, raising service charges and launching a new round of executive pay rises. Page 5

Water rationing imposed: Tough water rationing was introduced for residents of Zimbabwe's second city, Bulawayo.

Somali factions feud as UN troops go: Malaysian UN troops started leaving Somalia amid heavy fighting between rival factions in Mogadishu. The clashes have increased as the withdrawal of UN forces has gathered pace.

UK pensions funds lose 4%: The market value of UK pension funds fell by 4 per cent last year, according to a study which also showed that 1994 was only the second year since 1975 that they gave negative returns. Page 12

Seven die in hotel fires: Five people were killed and more than 100 injured when fire broke out during a New Year's Eve party at a hotel in the Belgian city of Antwerp. In Scotland, two died when fire struck a hotel packed with revellers.

Avalanches claims five lives: Five skiers died in avalanches in the French Alps during the new year weekend. Two Frenchmen, a German, a Swede and a British woman died in separate accidents.

Algeria	[illegible]	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	[illegible]	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	[illegible]	Hungary	Ft185	[illegible]	[illegible]	Singapore	S$4.30
Bulgaria	[illegible]	Iceland	[illegible]	Neth	Fl 4.25	Slovak	[illegible]
Cyprus	CPL1.10	India	Rs75	Nigeria	[illegible]	S. Africa	R12.00
Czech Rep	[illegible]	Israel	[illegible]	Norway	[illegible]	Spain	Pts225
Denmark	DKr17	Italy	L3000	Oman	OR1.50	Sweden	SKr17
Egypt	[illegible]	Japan	[illegible]	Pakistan	Rs40	Switz	SFr3.60
Estonia	[illegible]	Jordan	JD1.50	Philippines	Pe60	Syria	S£50.00
Finland	[illegible]	Korea	[illegible]	Poland	Zl 42,000	Tunisia	Din1.500
France	[illegible]	Lebanon	US$1.50	Portugal (m'land)		Turkey	L40,000
Germany	[illegible]	Lux	LFr60		Es225	UAE	Dh12.00

Beijing threatens to retaliate against US sanctions

By Simon Holberton in Hong Kong and a Correspondent in Beijing

China promised wide-ranging retaliation at the weekend against threatened US trade sanctions in an escalating dispute over Chinese piracy of American intellectual property.

Beijing called Washington's warnings "barbarous", and said it would respond by doubling tariffs on a range of imports from the US.

China was responding to the decision by Mr Mickey Kantor, the US trade representative, announced at the weekend, to invoke so-called "special 301" provisions after eight unsuccessful rounds of talks last year about intellectual property.

The US wants China to close factories making counterfeit CDs and prosecute the manufacturers. It also wants better access to China's consumer electronics and computer markets.

Mr Kantor said the US has targeted $2.8bn of Chinese exports covering 23 categories of products, including toys and shoes. Sanctions will come into force on February 4 if their differences are not resolved. China said the measures it threatened would apply only if the US moved to impose sanctions.

■ US decision 'barbarous'.....Page 3

China's ministry of foreign trade and economic co-operation said it would double tariffs on imported US game-players and cards, cassette tapes, compact discs, alcoholic beverages, cigarettes and cosmetics. Those items represent some of the stronger growth sectors in the Chinese consumer products market.

Also high on Beijing's list is the suspension of talks with US car-makers about joint ventures in China's car industry. European and US car-makers are engaged in a fierce contest for a share of what is forecast to become the world's largest passenger car market.

China also threatened to suspend limited imports of films, television programmes, video tapes and laser discs produced in the US and applications from American firms to establish holding companies.

Also facing suspension would be applications from US audio-visual manufacturers for branch offices and from US chemical and pharmaceutical producers for intellectual property protection, and Chinese ties to American trade organisations.

The battle over intellectual property is the most recent in a series of acrimonious trade disputes between the two countries as the administration of President Bill Clinton struggles to find ways to narrow an expected – and record – $29bn trade deficit with China for the whole of 1994, second only to the gap with Japan.

China is already incensed with the US for thwarting its aggressive campaign to rejoin by the end of 1994 the General Agreement on Tariffs and Trade, making it a founding member of the new World Trade Organisation which started life yesterday.

Claim follows intense fighting

Russia says its troops in control of Grozny

By John Thornhill in Moscow

Russian forces claimed to have taken control of the centre of the Chechen capital, Grozny, last night after intense fighting in the city's streets.

The Russian news agency Interfax quoted the defence minister, General Pavel Grachev, as saying: "The whole centre of the town and a number of districts in the town and its outskirts are under the full control of federal forces."

Troops moved into Chechnya three weeks ago to reassert Russian control over the breakaway Caucasian republic. In spite of Gen Grachev's claims, it seemed clear the Russians were encountering ferocious Chechen resistance.

After an assault on Saturday spearheaded by 300 tanks, Russian forces claimed to have seized several important buildings in Grozny, including the presidential palace. But independent eyewitnesses said a hastily assembled army of hundreds of Chechen fighters put up a fierce fight, beating back the initial assault, knocking out at least nine Russian tanks and capturing several Russian soldiers.

The balance of forces was unclear last night as thick palls of smoke hung over Grozny. Fires raged in several buildings, and gun battles continued to erupt on some street corners. Mr Dzhokar Dudayev, the Chechen president, was reported to be holed up in a bunker. Mr Boris Yeltsin, Russia's president, sent forces into Chechnya to blockade Grozny and force the Caucasian republic to abandon its three-year independence.

The weekend offensive, launched as the rest of the country celebrated the new year, seems to have been timed to minimise domestic media coverage. No newspapers were published in Russia yesterday. Most will resume publication only on Wednesday.

It is not known how many people have been killed in the latest fighting. As of Friday, the official number of Russian casualties stood at 50 dead and 132 wounded. The Chechen authorities said at least 800 citizens had been killed in air raids on Grozny and claimed to have inflicted 600 casualties on Russian troops.

In a televised new year's message, Mr Yeltsin said his chief priority was to restore order in Chechnya. But his aggressive policy may carry a heavy political and financial cost, inflaming Moslem sensitivities and producing increasingly strident criticism from abroad.

Mr Robert Dole, the incoming US Senate majority leader, said the escalation of the Chechen crisis suggested Russian democracy "may be on the brink of failure".

The use of force has fractured

Continued on Page 12
Media flex muscles over Chechnya, Page 2

Heavy on hopes and promises

World leaders deliver new year messages aimed at inspiring loyalty and raising spirits for 1995

By Quentin Peel in London

It is that time of year when the great and good, the much-loved leaders and those rather less loved, seek to provide guidance and inspiration for their long-suffering subjects in the coming year.

It is also a time for stock-taking, for good resolutions and bullish forecasts to raise the spirits after the bruising encounters of the past 12 months.

New Year's Day 1995 has been no exception: heavy on hope and promises from the world's leaders, short on self-criticism.

Yesterday they all had their say, from the embattled Presidents Bill Clinton and Boris Yeltsin, through an emotional valedictory address from President François Mitterrand in France, to fervent appeals for peace from Pope John Paul II and Patriarch Alexiy of the Russian Orthodox Church.

Yet pride of place for brevity and modesty must go to a most unlikely candidate, the "dear leader" of North Korea, Kim Jong-il, son of the late "great leader" Kim Il-Sung, on whose behalf a one-hour broadcasting slot was reserved on the airwaves from Pyongyang for a traditional new year's address.

In the event, Kim's message lasted only 15 seconds, and was read on his behalf by an official announcer, prompting a new wave of speculation over his health and his grip on power. "In the new year, let us give our greatest respect to the party, and work to increase the strength of our military," the statement said.

Others were less constrained. Mr Yeltsin, currently involved in throwing columns of tanks at the tiny rebellious republic of Chechnya, declared that the restoration of "peace and normal life" in the region was his most important task.

Mr Clinton, facing a less bloody but perhaps more intractable rebellion in the shape of a hostile Republican majority in the US Congress, resolved to "put aside partisan differences" – as if he had any choice.

"I'm going to keep doing the work we've begun to help Americans compete and win in the new global economy, and to restore the American dream for middle-class families," he said, prompting one leading Republican to "welcome him to our cause".

In Germany, Chancellor Helmut Kohl made his own commitment to a rather more German version of motherhood and apple pie: a promise to restrain inflation, reduce unemployment and consolidate the budget.

As for President Jiang Zemin of China, he showed no doubt at all about the future. The Chinese people are "full of confidence" as they approach the 21st century, he declared, and China's stand towards Hong Kong remains "firm and unshakeable".

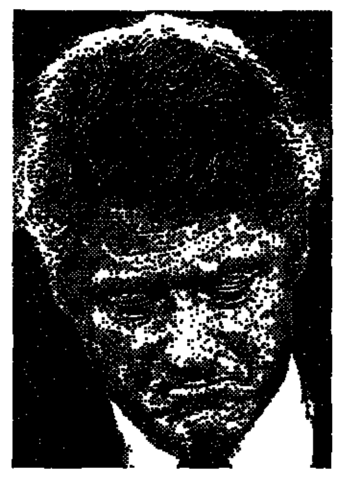
African leaders were no exceptions to the rule of wishful thinking.

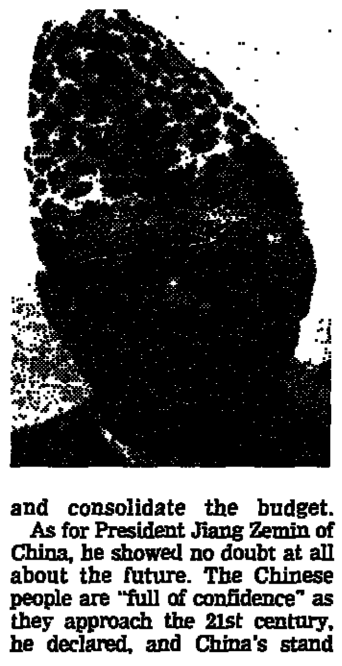
In Zaire, the apparently irrepressible President Mobutu Sese Seko told the parliament to prepare itself for imminent elections. Technical troubles beset his television broadcast.

Only the church leaders, and the unelected rulers, showed an obvious degree of concern and contrition.

In Japan, Emperor Akihito declared that 1995, the 50th anniversary of the end of the second world war, was a time for reflection. "We should remember the victims of the war . . . and continue to improve our standing with other countries," he said.

Pope John Paul II delivered a heartfelt, part-improvised appeal for peace: "A more just world can never be built with weapons in your hands."





Political and religious figures offering their hopes for the new year included (clockwise from the left): Pope John Paul II, US president Bill Clinton, North Korea's Kim Yong-il and Zaire's president Mobutu Sese Seko

■ Kohl pledge................Page 2
■ International diary......Page 4
■ The world in '95.......Page 11

Virgin Group plans venture in retail financial services

By Jim Kelly in London

Virgin Group, the airline and leisure group headed by Mr Richard Branson, is entering the UK retail financial services market in a joint venture with Norwich Union, one of the country's largest insurers.

An application has been made to the Personal Investment Authority to set up a direct-line company to launch sales in February of its own personal equity plan.

The move is a sign of the emergence of operators other than banks in retail financial services. The company, to be called Virgin Direct Personal Financial Service, will try to emulate the success of Direct Line, the telephone-based insurer owned by Royal Bank of Scotland.

Similar moves are occurring elsewhere in Europe. GE Capital, a subsidiary of General Electric of the US, entered the German consumer market last month by taking control of Service Bank, the finance arm of Kaufhof stores.

Virgin said its investment was "in the millions of pounds". It intended to undercut competitors' prices and remove "jargon and gimmicks" from products, and would neither cold-call potential customers nor charge commissions.

Virgin said: "[We] can guarantee that if this product was launched today we would be the cheapest in the market by a considerable margin. The industry is run on 19th-century lines – like the way they used to sell mops in 1895."

The company hopes to expand quickly to provide a full range of personal financial services designed specifically for it. A range of personal pensions and insurance plans may be launched in September.

The move comes as new requirements come into force in the UK life insurance sector under which companies will have to disclose the amount of sales commission they are charging customers who buy their retail products.

Norwich Union said it had put up 50 per cent of the equity for the company and would provide administrative support and investment expertise. "Both parties hope this will take off. We believe they have spotted a gap in the market," it said.

Initially 60 to 70 new staff, working in Norwich, will provide a telephone-based service five days a week from February 14. Staffing is expected to expand to 260 to provide a 24-hour service, and a headquarters site is being sought in the north-east or central England.

Virgin said: "We are looking at a good per cent of the UK market – maybe 10-15 per cent over three years." Sector analysts will be watching closely to see if direct sales techniques can work for non-essential financial products.

CONTENTS

 No 32,563 Week No 1 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

NEWS: INTERNATIONAL

Kohl pledge on unemployment


Kohl: government 'determined to keep inflation down'

By Judy Dempsey in Berlin

The German government will make every attempt to consolidate the budget and reduce *unemployment*, *Mr Helmut* Kohl, the German chancellor, said yesterday.

Unemployment is currently 8.2 per cent of the labour force in West Germany and 9.2 per cent Germany-wide.

Mr Kohl's comments coincided with the introduction of two tax surcharges and higher taxes as part of the government's attempts to curb the deficit as well as to pay for the continuing high cost of German unification.

In his New Year's Day article in the Welt am Sonntag newspaper, Mr Kohl said the government was also determined to keep inflation down, *running at 2.5 per cent*, but said industry would have to become more competitive on world markets.

The federal government deficit is expected to have fallen by DM10bn to DM57bn (£23.5bn) in 1994. The fall is largely because of an additional tax revenue of DM4bn and cuts in expenditure, especially the federal government's contribution to the German Labour Office, which supports the unemployed.

The federal, regional and local government deficit will total DM118bn, or 3.6 per cent of gross domestic product. Deutsche Bank Research *estimates* it will fall by DM7bn to DM111bn by the end of 1995. However, ways to consolidate the federal budget deficit, which is expected to rise by DM2bn in 1995, will be financed by the taxpayer.

These new taxes, insurance schemes, and increased levies include:

■ The solidarity tax. Introduced for a short time after German unification to finance the modernisation of the east German economy and subsidise consumer spending, it is being reimposed as of this month. Germans will pay a further 7.5 per cent on their taxable income. It is expected that the solidarity tax will raise an additional DM28.5bn in revenues.

■ The Pflegeversicherung, or social insurance contribution to finance the nursing of those in care. Despite government pledges to reduce the tax burden on industry, employers and employees will this month start contributing to this scheme. Employees will pay 0.5 per cent of their income with a further 0.5 per cent paid by the employer. In an attempt to persuade employers to accept the new surcharge, the government abolished one day's holiday. The insurance will raise DM15bn in revenue, and will cost the taxpayer an extra DM240 a year for those on DM48,000.

■ The tax on private property will be doubled to 1 per cent and will raise DM1bn.

The additional tax burdens have raised concern that consumer spending, still one of most depressed aspects of the economy, will not pick up for at least another year. It is expected to grow by 0.2 per cent this year compared with 0.5 per cent in 1994.

Castles join the sell-off in eastern Germany

By Judy Dempsey in Berlin

Germany is *selling 20* castles in the eastern part of the country in varying states of disrepair, with prospective buyers being offered a 19th century Schloss or castle for only DM1 ($645,000) in return for pledges to invest and create jobs.

The castles, most of them located in the state of Mecklenburg-Vorpommern and Brandenburg, and a few in Thuringia, are coming under the hammer and being sold by the Liegenschaftsgesellschaft der Treuhand (TLG), otherwise known as the trustee for former state-owned real estate.

The TLG took over the castles after German unification, without knowing what condition they were in. They soon found out. Their former inhabitants were not the Prussian aristocracy, which once owned vast estates in Mecklenburg before 1945. The aristocracy were forced out of east Germany by the Russians and the Red Army which administered the region until 1949 when the east German communist party took power. They were granted no compensation, nor could they reclaim their property after unification.

Between 1945-1949, the property of these aristocratic families were expropriated by the Soviet administration, the land broken up and divided among German settlers expelled from Poland, the former Czechoslovakia and the former Soviet Union. In the past fifty years, the castles have had, to say the least, various functions.

The castle of Rittergut, for example, in the state of Thuringia, was once the property of the Lords of Roschütz who date back to 1297, and later owned by an industrialist. In the Nazi period, it was used as a labour camp for women and as a hospital for Russian soldiers after the war. Later it became a school for East Germany's ardent communist youth.

The TLG, in advertising this particular castle, says: "One can well imagine using the manor house as a firm's prestigious headquarters." The recommended price is about DM1.7m but you get a smaller estate thrown in for the price.

Slightly less expensive is Schloss Wulkow in Brandenburg, for sale at DM1. It was once a massive, stone structure but as the TLG points out, "the building is in poor condition...it has been badly damaged by humidity...the original style or architecture can hardly be recognised today...recommended price DM1. Mr Günter Himstedt, TLG head, said 276 investors had already expressed interest in the castles.

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Bosnian ceasefire raises UN hopes

By Laura Silber in Belgrade

Bosnia's Moslem-led government and Bosnian Serbs started the new year with a four-month ceasefire intended to lead to negotiations on an end to Bosnia's 33-month-old war. The most ambitious ceasefire agreement reached by Bosnia's rival leaders lays the ground for peace talks to restart later this month.

United Nations mediators yesterday were brimming with optimism about the prospects for peace in Bosnia. Mr Yasushi Akashi, senior UN envoy in former Yugoslavia, and General Sir Michael Rose, the UN commander in Bosnia, at the weekend finalised details for the cessation of hostilities.

The deal, brokered a fortnight ago by Mr Jimmy Carter, the former US president, ended five months of diplomatic deadlock and enabled the Bosnian Serbs to return to the peace process. Mr Akashi yesterday said he expected talks on a political settlement to resume later this month.

To maintain the momentum, Gen Rose met rival military commanders at Sarajevo airport yesterday to determine the front lines. Over the next few weeks, they will try to disengage the warring sides – including the withdrawal of both armies to an agreed distance. "The important thing is that they don't look at each other," said Colonel Gary Coward, a spokesman for the UN Protection Force (Unprofor). Under the Carter plan, Unprofor will monitor the truce, as well as being interposed at the most sensitive flashpoints. With more than 1,000 miles of front line, Unprofor's 23,000-strong force in Bosnia should suffice at the outset, said Col Coward, but he conceded reinforcements could be needed.


UN envoy Yasushi Akashi and Bosnia's President Izetbegovic sign the truce at the weekend AP

While UN officials cite "goodwill" on all sides, there is little evidence that this will translate into political compromise which could secure a lasting peace.

The Bosnian Serbs have maintained their defiant stand against the plan proposed by the Contact Group on Bosnia which comprises the US, Russia, Germany, France and Britain. The contact group plan calls for Serbs to hand over one-third of the 70 per cent of Bosnian territory they currently control and recognise Bosnia-Hercegovina within its borders.

Despite international threats and the embargo imposed five months ago by their former mentor, President Slobodan Milosevic of Serbia, Bosnian Serbs are no closer to accepting the Contact Group proposal. "Standing firm has proved to be the correct policy," said Mr Jovan Zametica, adviser to the Bosnian Serb leadership.

Indeed, once it had offered the warring parties a "take-it or leave-it" plan, the Contact Group changed its position. In an effort to get the Serbs back to talks, the Contact Group devised a semantic compromise – calling them to "resume negotiations on the basis of the acceptance of the peace plan as a starting point".

It appears that the Bosnian Serb leadership considers the current front lines as the "starting point". By contrast, Bosnia's Sarajevo government fears that the deal will freeze those lines. The government accepted the plan, by its own admission, because the Serbs were bound to reject it.

At the weekend, Mr Alija Izetbegovic, Bosnia's president, reiterated his commitment to preserving Bosnia – if necessary by war. He warned that unless the Serbs endorse the plan, he will lobby for lifting the arms embargo.

Hopes for peace in Bosnia will be scuppered unless tensions are calmed in neighbouring Croatia. Zagreb last week warned that it would not renew Unprofor's mandate, due to expire on January 10, unless moves were made towards a political settlement with its rebel Serbs, who control one-third of Croatian territory.

INTERNATIONAL PRESS REVIEW

Media flex muscles over Chechnya

RUSSIA

By John Lloyd

Russian newspapers are living up to the liberal credentials they have professed.

In their coverage of the war in Chechnya, the leading liberal publications – dailies such as *Izvestiya*, *Sevodnya*, *Komsomolskaya Pravda* and *Nezavisimaya Gazeta*, with weeklies such as *Moskovsky Novosti*, *Obshchaya Gazeta* and *Literaturnaya Gazeta* – have engaged fully with events.

And though many are state-funded, they have been as robustly anti-administration as any free press in the world.

In Russia's frail democracy, it still takes some courage to oppose a powerful administration which has so many powers to cut off support, to censure and to retaliate. So far, retaliation has been minor and censorship has not returned: but President Boris Yeltsin, in his address to the nation last week alleged that some parts of the mass media were supported by Chechen money – an allegation which the editors of most of the papers cited above have demanded be proven.

The newspapers, the wire services and the television channels have shown another kind of courage by putting reporters on the spot in Chechnya and its capital, Grozny. Apart from the dangers of the war, the reporters are Russians operating between an army which does not want them there and Chechen fighters who might see them as Russians rather than reporters. The reporting has been vivid, courageous and (as far as war reporting can be) balanced.

There have been many leaks to the press because of the varying degrees of opposition expressed by some in the senior military command and the government. In the wake of the first abortive attack on Grozny on November 26 by forces of the Chechen opposition, *Izvestiya* splashed the revelation that the Russian officers captured by Chechen government forces during the attack had been recruited from the Kantemirovsky division by the Federal Intelligence Service (the successor to the KGB) and paid Rbs6m for their services: the divisional commander resigned in protest. Sergei Parkhomenko, one of *Sevodnya's* stable of talented young journalists, revealed that Prime Minister Victor Chernomyrdin had spoken strongly against the military action during last Monday's Security Council meeting, calling it "military idiocy" and

"When all this is over, we will build kindergartens and nurseries" Cartoonist Vadim Misyuk's view of President Boris Yeltsin's address to the nation last week when he promised to rebuild Chechnya after the war. *Nezavisimaya Gazeta*

forecasting that it would drag them all down.

The voice which has spoken out most clearly against the action among the commentators has been Mr Otto Latsis, *Izvestiya's* chief columnist. Mr Latsis' position is consistently liberal and was largely supportive of Mr Yeltsin until the Chechen crisis. Now he is in the opposite camp, and in a powerful article last week titled "The Chechen War is lost in Moscow", he named the "five victims" of the war as "the Russian economy, truth and reason, the illusion of the reality of the constitutional power, the democratic coalition for reforms and the future development of reforms".

In a move likely to incense Mr Yeltsin's supporters, *Izvestiya* named Mr Sergei Kovalev, the human rights campaigner, as its man of the year. Mr Kovalev, the former dissident who heads Mr Yeltsin's human rights commission, has been one of the most outspoken critics of the use of force in Chechnya and has spent much time in Grozny seeking a peaceful solution to the crisis.

The nationalist and communist papers, often speaking with similar (or the same) voices, have never shown the same news instincts as the liberal papers: their staple is commentary, brief news taken from the wire services, and tendentious (though sometimes vivid) reporting. However, their main inhibition has been their inability to taker a clear position: they wish to be seen as guardians of the statehood of Russia (though they prefer the statehood of the Soviet Union), but they do not favour Boris Yeltsin. Sergei Kara-Murza, one of *Sovetskaya Rossiya's* most prolific pens, put the dilemma thus: "A simple way of manipulating public consciousness is to put false dilemmas and questions to people: 'Ah, you're against the war in Chechnya – that means you're for the collapse of Russia?' How can our people react to such a mendacious argument?"

The Russian mass media have little to be ashamed of in this war. They are diverse, probing and combative. The state television channels have given considerable air time to government claims and less to reportage which might contradict them – but they cannot and do not wholy ignore the evidence of their reporters' eyes, nor the views of the president's opponents. There is little in this conflict which can give much cause for optimism: the forthrightness of the media's response, however, does give some.

INTERNATIONAL NEWS DIGEST

Saudi Arabia raises power and fuel costs

Saudi Arabia, the world's biggest oil producer and exporter, yesterday practically doubled local petrol prices and increased electricity charges for high consumers. For the first time it imposed a 1,000 riyal ($267) fee on visas for those arriving in the kingdom to work and said work permits in future would cost 100 riyals ($27) and residency permits 500 riyals ($133).

Behind the rises, long urged by economists, is the need to try to cut growing petrol and electricity use and increase government revenues to shrink the budget deficit. Saudi Arabia, whose exports fuel many of the world's power plants, has suffered its own electricity shortages. The low power bills have encouraged waste by consumers and generated little revenue for the electricity companies, which have found it difficult to finance infrastructure expansion. Annual percentage increases in electricity consumption have regularly run into double figures.

The apparently constant flow of ready cash from oil exports which cushioned the kingdom's citizens from economic reality has dwindled because of low oil prices on the world market, heavy spending on state infrastructure and more than $50bn spent on the Gulf War. *Reuter, Dubai*

German police in clashes

Hundreds of young rioters throwing paving stones and fireworks clashed with police in the north German city of Bremen and the eastern town of Rathenow in early yesterday. In the eastern town of Wernigerode, three policemen were injured, one seriously, after being attacked in their car. Police held three of the rioters and said some were linked to the extreme right-wing Free German Workers' party (FAP). In Rathenow, west of Berlin, 650 youths hurled fireworks and bottles at police and smashed shop windows and traffic lights. Twelve people were detained. In Finsterwalde, also in eastern Germany, 200 youths went on the rampage. In Bremen, anarchists who have rioted during previous New Year celebrations fought police, smashing windows and barricading streets with cars and portable toilet huts. Six police were slightly injured and eight rioters were detained. *Reuter, Bonn*

Havel urges Nato to look east

Mr Vaclav Havel, president of the Czech Republic, yesterday urged Nato to expand its membership eastward as soon as possible to include the countries of central Europe. He also said Russia must respect the right of countries in the region to join the west's security alliance. Mr Havel called on western leaders to quickly resolve the security vacuum in the region by allowing entry of former Warsaw Pact countries. Referring to Russian opposition to Nato membership for its former satellites, Mr Havel said each country must decide its own future security arrangements but stressed that good relations with Moscow are a central plank of Czech foreign policy.

"If we reject Russia's opposition to our membership of Nato it is not because we see it as an enemy or that we want to isolate it," he said. "We only insist that it accept that a settlement based on the right of nations to decide freely for themselves can be truly successful." *Vincent Boland, Prague*

Algeria to probe hijacking

Algeria has appointed a prosecutor to investigate last month's hijack of an Air France airliner at Algiers airport, Algerian state radio said yesterday. Algerian laws prohibit the disclosure of the identities of magistrates and judges handling terrorist cases. French commandos stormed the Airbus airliner on December 26 at Marseilles airport, killing the four hijackers and ending the 54-hour Christmas ordeal for the 169 passengers aboard. The hijackers killed three passengers before the aircraft left Algiers on December 26. The hijacking was claimed by the Armed Islamic Group (GIA), Algeria's bloodiest Moslem guerrilla group fighting the army-backed authorities in the North African country. Many French and Algerians were shocked by the apparent ease with which the hijackers made their way through the heavily-guarded Algiers airport and commandeered the aircraft. *Reuter, Tunis*

Germany, Italy join UN body

Germany and Italy yesterday officially became members of the 15-nation United Nations Security Council, where France and Britain already have permanent seats. The four are the largest states in the European Union, and on many issues have a common foreign policy stance. Germany and Italy, along with Botswana, Indonesia and Honduras, were elected as non-permanent members of the Security Council for the years 1995 and 1996 to replace Brazil, Djibouti, New Zealand, Pakistan and Spain, which had completed two-year terms. Of the 15 Security Council members, five have permanent seats with veto power – the US, China, Russia, France and Britain. Another 10 countries rotate for two-year terms, five each year. The other five non-permanent members, whose terms expire at the end of 1995, are Argentina, the Czech Republic, Nigeria, Oman and Rwanda. *Reuter, United Nations*

Polish foreign minister quits

Mr Andrzej Olechowski, Poland's foreign minister, has said he will not be carrying out his duties from the new year, while his resignation is considered by Prime Minister Waldemar Pawlak. This now leaves both the foreign and defence ministries without ministers as Poland is pressing its demand to join Nato and looking for firm commitments from Brussels on future European Union membership. Mr Piotr Kolodziejczyk, the former defence minister, was recently dismissed at President Lech Walesa's insistence, and Mr Pawlak and the president have yet to agree on a successor.

Mr Olechowski first offered to resign last October after his name appeared on a list of government officials who also hold paid directorships of state-owned companies. This, according to the Justice Ministry, which compiled the list, is an offence. Mr Olechowski is the head of the supervisory board of Bank Handlowy, a large bank, and was the only one of the scores of officials named to offer his resignation. *Christopher Bobinski, Warsaw*

Moi looks to new constitution

Kenyan President Daniel arap Moi said in a New Year message yesterday that he would invite foreign experts to help in drawing up proposals for a new constitution. In his message, issued by the Kenya News Agency, Mr Moi said constitutional lawyers and experts from countries including the US, Germany, France, Britain and Canada would be invited to assist in collating the views of Kenyans. Kenya's constitution has been in force since the country became independent in 1963. "I urge all Kenyans to recognise the importance of unity for our common good," Mr Moi said, noting that 1995 would present challenges – including those linked to the country's population growth, one of the world's highest. *Reuter, Nairobi*

Chile to renew Cuba ties

Chile is preparing to restore full diplomatic ties with Cuba, which were suspended in 1973, Chilean newspapers reported at the weekend. Foreign minister Jose Miguel Insulza refused to confirm or deny the reports, which quoted unidentified diplomats. Mr Insulza said only that President Eduardo Frei "may bring that subject of relations with Cuba into his agenda next month". Chile and Cuba severed relations in 1973 after the military coup that brought Chilean General Augusto Pinochet, an anti-communist, to power.

After civilian rule was restored in 1990, the two nations re-established relations at consular level. But Chile said that full diplomatic relations at an ambassadorial level would be restored only if the human rights situation in Cuba improved. *Reuter, Santiago*

China angry at threat of trade sanctions over copyrights

US decision 'barbarous'

By Jurek Martin in Washington, Simon Holberton in Hong Kong and a Correspondent in Beijing

China's strong initial reaction to the US threat of trade sanctions for copyright piracy may be "the storm before the calm," said Mr Mickey Kantor, US trade representative, at the weekend.

The storm came in the form of the language with which Beijing greeted Washington's decision, almost as it was announced. The US move was "barbarous," said the Chinese.

Yesterday, the official New China News Agency accused Washington of ignoring China's great strides towards protection of intellectual property and of trying to bully Beijing with "the old tricks often resorted to by Washington in settling its trade disputes with other countries".

The US has listed 23 categories of Chinese products for possible punitive tariffs of 100 per cent. Chinese officials reacted swiftly, saying that, if the US carried out its threatened sanctions, China would have no choice but to retaliate against US companies.

The news agency cautioned that "a full-fledged trade war would inevitably inflict losses, not only on China but also on the US. It may even harm the interests of other countries and regions which have direct or indirect involvement in trade with China or the US."

The Chinese feel they are being given little credit for their efforts to counter piracy. The news agency quoted State Copyright Administration officials saying China had seized 1.58m pirated books and 2.2m laser discs last year (1994).

"Though there still exist copyright thefts, and some cases are quite serious, the Chinese government's stand on fighting piracy is clear and our practice is fruitful," an official was quoted as saying.

Mr Kantor, albeit quietly, made his own contribution to the storm. He made clear that confrontation with the US over intellectual property was not without risk to China.

If unresolved, it would not advance the cause of Chinese membership in the new World Trade Organisation (which came into being yesterday as successor to the General Agreement on Tariffs and Trade), he said.

Chinese policies in the area were, he said, far below the minimum standards expected of WTO members.

Mr Kantor did not need to point out that the Republican party majority about to appear in the US Congress is likely to favour a more muscular approach to trade disputes than its supposedly protectionist Democratic predecessor.

Even so, there were also early signals of the calm that might follow the storm. Both the Clinton and Bush administrations in the US went as far as to publish sanctions target lists, then reached agreement with China not long thereafter.

US officials also maintain that the current importance of the US market to China, consuming about 40 per cent of all its exports, is such that Beijing is unlikely to want to provoke a trade war. In the first 10 months of last year, China enjoyed a bilateral trade surplus with the US of nearly $25bn (£16bn), second only to that of Japan.

Chinese ambitions in the electronics sector may also induce settlement, some officials believe. They point to a recent agreement with Microsoft to produce Chinese-language software and predicated on the protection of the US company's intellectual property rights.

When he announced the putative sanctions on Saturday, Mr Kantor was careful not to rule out an agreement this month in the next round of negotiations, due in Beijing from January 23.

Western diplomats regard China's retaliatory threats as not unusual for Beijing and say Chinese officials have already tabled new negotiating proposals to meet Washington's demands. However, China will have to offer significant compromises to satisfy the US, including closing 26 factories illegally copying compact and laser discs. That demand is particularly sensitive as some of the companies are known to have connections to the Chinese military.

LIST OF CHINESE GOODS TARGETED

The list of Chinese goods which may be subject to punitive US tariffs includes a variety of electronic products, Reuter reports from Washington.

Mr Mickey Kantor, US trade representative, said electronics accounted for $1bn (£641m) of the $2.8bn in the annual trade value of items on the list.

The list of potential targets included telephone answer machines, CB radios, cordless handset telephones, some radio telephones for use in motor vehicles, some types of telephone antennas, burglar alarms, lamp-holders and some wirings.

Also listed were DC motors with an output of 74.6-735 watts, bicycles with wheels of a diameter from 50-55cm (19.6-21.6 inches), some battery-powered watches, upholstered wooden or metal chairs, outdoor chairs with textile cushions, wooden bedroom furniture (except for beds), and furniture made of cane, osier or bamboo.

The list also included electric lamps of base metal, household chandeliers of brass, some water sports equipment, swimming and wading pools, fishing rods and ball-point pens.

Candied nuts, citric acid and containers of mushrooms weighing less than 255g also were listed.

Also included were some small plastic bags, picture frames, reflective triangular warning signs for road use, surgical gloves, some leather trunks, leather gloves, textile-lined wooden cases used for jewellery or tools, diaries and address books, and some types of greeting cards.

Silk gloves and mittens were on the list, as were silk handkerchiefs, shawls, scarves and mufflers.

Infants' footwear was listed, as was childrens' footwear, womens' sports shoes with uppers more than 50 per cent leather, and womens' shoes made of leather and rubber or plastic and valued at more than $2.50 a pair.

The preliminary target list also included some types of ceramic household and toilet articles, some statuettes of porcelain or china, and some jewellery parts. Also listed were some iron or steel washers, and some metal kitchenware.

The list of potential changes in the US tariff code was submitted on Friday to the Federal Register and should be published soon.

Public comment will be accepted for 30 days. Hearings on the list were set for January 24 and 25.

On February 4, a decision will be made by the US administration as to whether to issue a final list.

Foreigners to own Mexico banks

By Stephen Fidler in Mexico City

Mexico is set to throw open its banking system to foreign ownership, as part of a programme to limit the damage caused by the devaluation of the Mexican peso last month.

President Ernesto Zedillo is due to announce details of the emergency programme – also expected to include reductions in government spending and an agreement with business leaders and trade unions to limit wage increases – tonight in a national televised speech.

Foreign banks are now allowed to open branches in Mexico but foreign ownership of banks has been forbidden. Mexico's banks, nationalised in 1982, were privatised in the six-year administration of President Carlos Salinas, who stepped down on December 1.

The move to let foreigners own Mexican banks comes amid concern for the health of some banks after the 32 per cent devaluation of the peso since December 19. Government officials said a plan is also being prepared to ease the restructuring of banks in case any hit difficulties this year.

It also comes as two US banks, JP Morgan and Citibank, are trying to arrange a stand-by credit for Mexico by private international lenders as part of an overall support package which would raise at least $10bn (£6.4bn) from official and private sources, beyond $7bn already pledged by the US and the Canadian governments.

In his speech, Mr Zedillo is expected to announce government spending cuts of 2 per cent. He is likely to forecast 1995 growth of 1.5 per cent and an inflation target of close to 15 per cent. The peso closed at 5.07 to the dollar on Friday but the budget will assume an exchange rate of 4.50. The government hopes it could be as high as 4.00.

The package will aim to reduce the current account deficit from almost 8 per cent of gross domestic product in 1994, to between 3.5 and 4 per cent this year. "We have to reduce the current account deficit to the levels at which it is financeable," said a senior government official.

The government has been negotiating at the weekend with trade unions and business leaders to reduce the inflationary effect of the devaluation. The government wants to limit wage increases to as close as possible to 7 per cent next year, which will be difficult since many shops have already put up prices since the devaluation.

John Ridding adds from Paris: France said yesterday that it was prepared to participate in an IMF-sponsored support package for Mexico.

Reaching for new credibility

Stephen Fidler finds pessimism over the Venezuelan economy

Venezuelans will be pleased to see the back of 1994, but few see reason for optimism in 1995. Even the optimists, such as the finance minister, Mr Julio Sosa, are forecasting a stagnant economy through 1995.

The pessimists these days often prefer to keep their heads down. When economists from a respected Caracas business school presented 1995 economic forecasts that were more pessimistic than the government's – one expecting a 4 per cent economic contraction and inflation of 100 per cent – they were denounced by President Rafael Caldera as traitors.

"We will have no – or low – growth, high inflation repressed by controls and growing unemployment. This will mean growing inequalities and greater social fragility," said one well known economist in Caracas. With unemployment estimated at 13 per cent and job losses growing, many people who start looking for work after today will not find a job. This, together with high inflation, to which Venezuelans are less accustomed than are other Latin Americans, is seen by some as a recipe for social unrest.

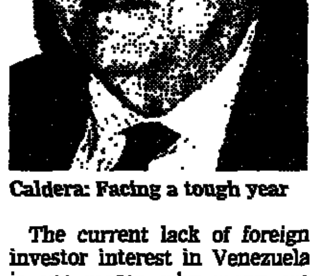
Mr Caldera's first year in office has hardly been auspicious. He took over at the start of a banking crisis and his government has become, in less than a year, the involuntary owner of a substantial majority of the banking system.

It has imposed exchange controls to check capital flight and price controls – measures which the government has promised will be temporary. It also fixed the exchange rate, at 170 bolivars to the dollar, in a bid to halt a collapse in the currency. Despite price controls, inflation has been, by the government's estimates, about 60 per cent this year and, by those of the private sector, upwards of 70 per cent.

The exchange controls have succeeded in lifting international reserves, but have created problems for the private sector. Mr Marco Gómez, head of Bank of America's operations in Caracas and president of the Foreign Bankers' Association of Venezuela, estimates that Venezuelan companies owe $6bn-$8bn (£3.8bn-£5.1bn) in US dollar loans to foreign banks, most of which are falling into default. "We are concerned about how this is going to be serviced. Most of our loan portfolios are becoming chronically past due, requiring the imposition of costly reserves," he said.

The government has promised action early in this new year to help companies deal with some of these debts, but the problems contributed to the closure of Venezuelan access to the capital markets.

This itself has had repercussions. CANTV, the part-privatised telephone company in which GTE of the US has a prominent stake, is negotiating a rescheduling of its $1.2bn short-term debt, most incurred to finance a capital spending programme. It had planned to extend the maturity of the debt in the international markets but found no investors.



Caldera: Facing a tough year

The current lack of foreign investor interest in Venezuela is one reason why many are pessimistic as to whether the government can turn the economy round in 1995. With no capital inflow from abroad, the budget deficit will have to be financed domestically, with the sore temptation for the government to resort to the printing presses.

Central to the government's 1995 budget is privatisation. The government has scheduled a score of privatisations for 1995. Some of these – such as sales of electricity generating plants and more of CANTV – are part of the budget assumptions; some, such as the sale of assets of the state industrial conglomerate, CVG, are not.

Others are less confident. They say exchange and price controls, and the suspension of some constitutional guarantees, have created an image of a government that makes up its own rules as it goes along. "The government will need to re-establish credibility. To do that, it will need a track record of at least one year of doing well and abiding by the rules," says one economist.

Mr Francisco Aguirrevere, chairman of Electricidad de Caracas, a private electricity utility, says: "There's no way investment will come into the country while exchange controls remain and without clear rules of the game. That means, unless the right conditions are in place, the government will either not privatise or will privatise at very low prices."

Bankers are also sceptical that the banks which the government has taken over – at a cost estimated by Mr Sosa at 11 per cent of GDP – will find buyers soon.

Furthermore, while the government's decision on a significant opening of the petroleum sector to foreign investment is expected to yield benefits in the medium-term, this will not benefit the 1995 budget. The government's promised decision to raise petrol prices (at the equivalent of five US cents a litre) has also been postponed beyond the date advertised by officials. The government is worried that raising petrol prices would bring social protest, as a similar move did in 1989, but delaying increases would widen the budget deficit.

For all these reasons, there is a widespread scepticism that the government has its finances under control. "There is a huge fiscal problem," says a Venezuelan economist. "The budget under-estimates expenditures, over-estimates revenues, and shows no strategy in terms of promoting investment, building infrastructure or rationalising bureaucracy."

Mr Caldera's government is also criticised for further undermining the state's already weak institutional structure. The independence of the central bank has been severely weakened, and Mr Caldera has set up several new bodies, reporting directly to him, which side-step government departments. These include a financial emergency board, a special commissioner to fight corruption and an advisory board on housing.

The government remains unapologetic. Mr Sosa, an engineer by profession, says Mr Caldera has used his special powers sparingly and the suspended constitutional rights will "be returned in the near future". Besides, given the country's problems, he says: "The president doesn't have enough power."

Brazil's new president promises growth

By Angus Foster in São Paulo

Mr Fernando Henrique Cardoso, once a left-wing academic and now a social democratic politician, yesterday assumed the presidency of Brazil. He pledged to deliver continued economic growth and tackle the country's huge social problems.

Mr Cardoso said Brazil had the right set of conditions for "a long period of growth", but that his "great challenge and number one priority" was to deal with such social problems as health care and basic education.

"This country is going to get things right. Brazil has everything needed for it to work," he said.

Mr Cardoso, facing four years in office, also promised to try to lift Brazil's international profile. The Mercosur customs union – linking Brazil with Argentina, Paraguay and Uruguay – took effect yesterday and Brazil hopes its leadership of the union will increase the country's diplomatic presence.

Mr Cardoso has said since his election victory in October that his main short-term priority is to guarantee the stability of the Real currency, introduced in July, and keep inflation low. Mr Cardoso helped to plan the Real when he was finance minister.

The people's choice: President Fernando Henrique Cardoso has four years of his administration in prospect Picture: Reuter

However, most analysts agree that the government's tax and social security systems need urgent reform for its budget to be balanced and the Real to stay credible.

Loss-making state-owned banks also need to be overhauled. This was helped by the announcement last Friday of a period of "special intervention" by the central government in the two most problematic banks, Banespa and Banerj.

Mr Cardoso said he was committed to tackle Brazil's social problems. These include one of the world's greatest differences between rich and poor, high illiteracy rates and rapid urbanisation.

He stressed the need for preventative health care and improved basic education.

The new president took office amid enormous public support and optimism, after one of the smoothest administrative transitions in recent Brazilian history.

An opinion poll last week showed approval of Mr Cardoso at more than 70 per cent of respondents. He gave credit to his predecessor, Mr Itamar Franco, for the easy exchange of power.

Donors look for Nigeria to shift tack

Paul Adams on the need for this month's budget to signal an assault on spending

As a guide to government spending, Nigeria's recent budgets have proved wildly inaccurate. But, since the military regime took power in November 1993, the main economic policy decisions have coincided with the budget.

Investors and official donors are waiting to see whether General Sani Abacha's second budget speech, due early this month, will start to undo the damage caused by his first. At stake are Nigeria's chances of reviving an economy in deep decline, and of breaking a cycle of external debt.

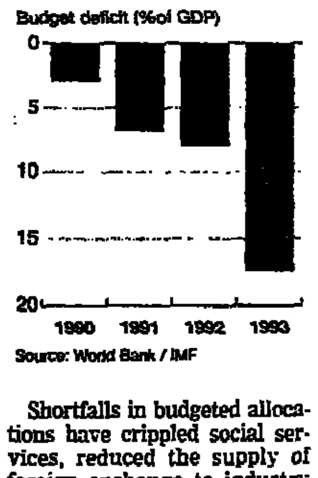
Last January, Gen Abacha's first budget forecast a balanced budget, but the actual deficit is near to $4bn (£2.6bn), despite higher-than-expected oil prices. The main part of Nigeria's $28bn external debt has not been serviced for nearly three years, leading to payment arrears to the Paris Club of more than $8bn. Scheduled debt service is nearly 100 per cent of government revenue but the 1994 budget ended negotiations with the creditors.

The imposition of a fixed currency exchange rate and interest rates was condemned by the World Bank and has failed to tackle the underlying cause of inflation and devaluation: uncontrolled government spending. As the government printed money to fund deficit spending, inflation surged beyond 100 per cent this year; the official foreign exchange market almost dried up and the black market naira rate plunged from N50 to N100 to the US dollar between June and November.

Redundancies have become widespread in manufacturing industry as capacity utilisation has dropped below 30 per cent. Most economists estimate that gross domestic product registered negative growth in 1994, although the large informal sector makes such estimates difficult.

Mr Kalu I. Kalu, who opposed government policy and argued for deregulation, was dismissed as finance minister two months ago. The acting finance minister, Mr Anthony Ani, has held talks with a delegation from the International Monetary Fund, the first contact between the government and official creditors since February.

The fund is looking for significant steps to deregulate foreign exchange and interest rate policy, and is particularly concerned about the government's deficit spending and lack of transparency.



Source: World Bank / IMF

Shortfalls in budgeted allocations have crippled social services, reduced the supply of foreign exchange to industry and cut funding to its joint ventures with the oil production companies. This has led to arrears to the industry of about $800m and the prospect of sharply falling production and defaults to contractors next year.

Extra revenue from the recent sharp rise in official fuel prices is going into a special trust fund over which there are inadequate financial controls, according to western donors.

The government maintains dedicated accounts offshore, worth $1.5bn this year or more than 10 per cent of Nigeria's oil production, according to the finance ministry. The accounts are funded by oil revenue which never enters the government's books. The presidency has sole charge of the largest of these accounts, which receives an estimated 150,000 barrels a day of oil revenue, nearly $900m a year at today's prices.

The strongest criticism of this system recently came from a government-appointed panel of inquiry into the central bank of Nigeria. "Between September 1988 and June 1994, $12.4bn had been recorded in these accounts," according to the report by the panel, headed by a former government economic adviser, Mr Pius Okigbo.

The panel found "that $12.2bn was liquidated in less than six years, that [it was] were spent on what could neither be judged genuine high priority nor truly regenerative investment, that neither the president nor the governor [of the central bank] accounted to anyone for these massive extra-budgetary expenditures, that these disbursements were undertaken while the country was openly reeling with a crushing external debt overhang". The report recommended immediate closure of these accounts and reminded the central bank that, in advancing more than 12.5 per cent of annual budgeted revenue to the government to fund its deficit, the bank was breaking Nigerian law.

So far, there is no sign that the regime is willing to listen. The donors may offer the prospect of aid and debt relief in return for reform, but the Nigerian government has already begun not to pay debts to the Paris Club and there has been little new official aid to Nigeria for years.

One possible incentive is the government's need to unlock international finance for gas export projects. The state-owned Nigerian National Petroleum Corporation owns 49 per cent of the Liquefied Natural Gas company, along with Shell and other partners, which needs more than $2bn to complete project funding early next year, mainly from export credit agencies in Paris Club countries.

Projects such as this offer badly needed prestige and new sources of revenue. Foreign exchange regulations and the state's under-funding of the oil industry are harming the economy to the extent that even the government could soon start to feel the pinch.

Insurers bend before the winds of change

Canute James assesses a Caribbean risk market

The Caribbean's insurers are breathing a little more easily. The hurricane season has ended and, despite damage to the banana industry in some of the Windward Islands, and the late meandering of Hurricane Gordon, the storms were less damaging than many had expected.

The insurers' relief, however, masks their continuing depression at the unforgiving state of the international market for property catastrophe re-insurance. Caribbean efforts to obtain re-insurance coverage have been more difficult and expensive than those of many other regions, insurers say, and Caribbean countries face abiding trouble in obtaining risk coverage, even at rates they consider exorbitant.

Catastrophes ranging from hurricanes and earthquakes to oil spills, floods, fires and an attempted coup led to multi-million dollar settlements which have seriously hurt a number of big companies covering Caribbean insurers.

The problem is not unique to the region, but insurers say the Caribbean is increasingly viewed as more exposed than most, and carries insufficient premium coverage.

So extensive is the problem that Caribbean governments have become increasingly concerned.

The cost of property insurance had risen to the stage where most in the region are finding it difficult to secure mortgage finance for homes, and where developers find insurance coverage almost impossible to obtain. Government officials consider this a disincentive to foreign and local investments which regional economies need.

The governments have commissioned a study on ways of dealing with the increased costs of catastrophe re-insurance for the Caribbean, and on what is seen as the unwillingness of the international industry to re-insure risks in the Caribbean.

Governments claim that catastrophe re-insurers have erred by "conjoining" the Caribbean to other areas (by implication, the southern and south-eastern US) "without sufficient consideration to the southern part of the Caribbean where disaster risks are relatively low."

Suggestions for the creation of a regional catastrophe re-insurer have been defeated by what officials say would be a prohibitive capital cost needed to generate confidence, even if the region's re-insurers and governments made it a joint venture.

While the perceived exposure to catastrophe has contributed to the Caribbean problems, these continue to be compounded by changes in some economies.

Extensive economic deregulation and the liberalisation of foreign currency markets, accompanied by the floating of currencies, have led to currency depreciations in several countries over the past four years.

Inflation, and the increased cost of premiums in local dollar terms, has made full risk coverage all but impossible, except for a few. Some regulators in the Caribbean say also that there is a need for restructuring the property insurance market there. In times of climatic quiet, risk coverage was a safe investment.

Many companies were established and they did well. More recently, though, some have had difficulty weathering the climatic and economic changes.

One solution which the study commissioned by the governments may offer is a form of rationalisation which could lead to a spate of mergers among the many small companies created in recent years, or to the acquisition of their portfolios by bigger insurers.

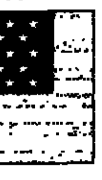
Regulators consider this likely to create more stability, although they question the methods which could be used to encourage the mergers, and whether this would diminish the chronic problem of obtaining easier and cheaper catastrophe re-insurance.

Property insurers feel that their problems in obtaining catastrophe coverage from external re-insurers will end when there is a perceptible reduction in the number and strength of the region's storms and hurricanes. But, by all indications, says one, the changing global climatic conditions promise more and stronger winds.

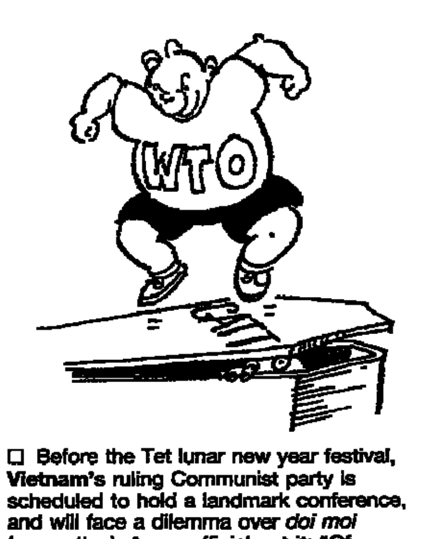
1995: AN INTERNATIONAL CALENDAR

January

■ 1st The **World Trade Organisation** is born, but Gatt isn't dead yet – it will linger on for the year. China will be haggling for membership. The WTO is intended for matters multilateral, and bilateral squabbles will be settled in the usual way, outside the establishment.



The **EU** expands to 15 as Austria, Finland and Sweden come to Brussels. Elsewhere, countries are forming their own clubs. **Colombia, Venezuela** and **Mexico** establish a common market – though it will take 12 years. And there is **Mercosur,** the customs union of **Argentina, Brazil, Paraguay** and **Uruguay,** for better or worse, for richer or poorer.
■ 18th European parliament votes on approval of the Santer Commission



□ Before the Tet lunar new year festival, **Vietnam's** ruling Communist party is scheduled to hold a landmark conference, and will face a dilemma over *doi moi* (renovation). As an official put it: "Of course, getting rich is good. The thing is whether you get rich legally or not."
■ 20th The US musical year opens with two world premieres. *Simon Bolivar* by Thea Musgrave at the Virginia Opera; and the following night in Houston, *Harvey Milk,* written by Stewart Wallace and Michael Korie, on the life and murder of San Francisco's first openly gay elected public official.
■ 29th Bill Koch opens the defence of his title as champion of the eccentric billionaires when trials for yachting's grand prize, the **America's Cup,** begin in San Diego. His yacht this year, *Kanza,* is crewed by women. Finals start on June 6.
■ 31st UN's 5,500 blue helmets due to pull out of **Mozambique.**
□ Italy's neo-fascist **MSI/National Alliance,** a partner in the Berlusconi government, plans a congress to decide a new constitution. The MSI, descendants of Mussolini's fascists, will vote themselves out of existence – in name only. The "modern right" can be found in the phonebook under **Alleanza Nazionale.**

February

□ Ramadan, the Islamic month of fasting, begins – the precise timing depends on the first sighting of the crescent moon. Office hours are limited in some countries.
■ 19th Hesse state elections in Germany promise worrying times for the **Free Democrats,** the junior partners in Chancellor Helmut Kohl's coalition. Led by Mr Klaus Kinkel, the foreign minister, the FDP has lost 10 elections in a row over the past 18 months.
■ 22nd Spanish Still Life from Velázquez to Goya, at London's National Gallery. A full retrospective of Willem de Kooning arrives at the Tate on the 16th.
■ 23rd Senator **Phil Gramm** of Texas is due to announce his candidacy for the Republican party's presidential nomination. Other nominations and brawling will follow.
■ 28th India's finance minister Mr Manmohan Singh expected to present his fourth budget – a test of the government's reformist resolve.

Still Life with Sweets and Glassware by Juan van der Hamen y León   Museo del Prado, Madrid

□ China expected to seek international financing for the Three Gorges Dam on the Yangtze River. The government is looking for about $3bn and and new homes for 1m people.
□ Chinese Year of the Pig – Chinese wannabe parents say this year is inauspicious for having children, who are believed to take on the characteristics of said animal, sloth and gluttony.

March

■ 6th-7th **EU and Turkish** foreign ministers meet in Brussels to discuss creating a customs union in 1996. Previous meetings have foundered on obstacles more political than economic: Turkey's human rights record and Greece's opposition to things Turkish.

□ Revival of the 1961 Pulitzer Prizewinning musical *How to Succeed in Business without Really Trying* featuring Matthew Broderick at the Richard Rodgers Theater in New York.
In London Diana Rigg pushes out the handcart as *Mother Courage* at the National.
■ 6th-12th As well as attacking poverty, creating jobs and improving health, delegates to the **World's Social Summit in Copenhagen** will be trying to come up with something other than a fatalistic response to the "grey revolution" – the ageing of the world's population. Between 1950 and 2025, the world's population will increase threefold, the number of people over 60 sixfold, and the number over 80 by a factor of 10.
■ 15th Time to find a new global trade chief, as Peter Sutherland's term as caretaker of the WTO comes to an end – a renewed Gatt deadline, very unlikely to be postponed.
■ 19th Finland parliamentary elections
□ The **Czech** government is due to decide the winner of a tender for a 27 per cent stake in **SPT Telecom,** the national telephone operator. The deal could be worth up to $1bn.
■ 28th The first conference of parties to the Convention on Climate Change – world's **environmentalists** converge on Berlin for the biggest international get-together since the Rio Earth Summit of July 1992.
□ **Zimbabwe** expected to go to the polls. While President Robert Mugabe and the ruling Zanu party are expected to make it their fourth victory in a row, good economic management may be a casualty. The opposition is divided and poorly led, but Mr Mugabe is unlikely to press ahead with privatisation policies and curbs on state spending until the election is safely out of the way – and even then his heart may not be in it.
□ **Estonia** is also to hold elections.

April

■ 3rd It is what might not happen on this day that concerns all right-thinking Americans. According to the published schedule, Cal Ripken Jr should be starting his 2,010th consecutive game for the Baltimore Orioles at home against the Chicago White Sox. He would be just 120 games shy of the durability record set nearly 60 years ago by Lou Gehrig (pictured right) of the New York Yankees. But the **baseball season** might not start, or, if it does, it will be with lesser performers hired to replace the striking major leaguers. Ripken has said he will cross no picket lines, his chance at immortality regardless.
■ 9th Alberto Fujimori, the son of Japanese immigrants, battles for a second five-year term in **Peru's presidential election.** A surprise winner in 1990, this year he has the burden of leading the field. Among a couple of dozen

opponents, the best known internationally is Javier Pérez de Cuéllar, the former UN secretary-general, absent and untarnished by the last few decades of Peruvian politics. The challenge of Fujimori's wife of 20 years, Susana Higuchi – who is divorcing him – has been ruled unlawful. She will run for Congress.
■ 13th Judgment day on **Newt's "Contract with America":** 100 calendar days after the convening of the new Congress. Speaker Gingrich has promised to have introduced – but not necessarily passed – legislation covering the main points of his "contract with America". This includes big tax cuts, a balanced budget amendment, limits on congressional terms, voluntary prayer in schools, higher defence spending and much more. It will be impossible not to have an opinion on whether the right-wing bomb thrower has transformed himself into a realistic leader of Congress.
■ 23rd French presidential elections – first round.

May

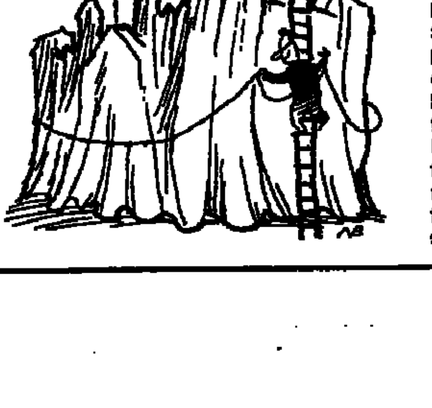
□ End of April, beginning of May, the best, but uncertain, guess for the conclusion of **the trial of O J Simpson,** the former US football star accused of murdering his wife and a friend – the *ne plus ultra* of celebrity court cases. Everybody, except the jury in Los Angeles, already has an opinion. American life will only get back to normal when it is all over.
■ **2nd-5th Asian Development Bank** meets.
■ **10th French presidential elections second round.** The right is set to strengthen its grip. The decision by Mr Jacques Delors, the Socialist favourite, not to stand has left the field to the Gaullist rivals Mr Edouard Balladur and Mr Jacques Chirac. Barring a Socialist saviour, it will be they who come out fighting in the second round.
■ **14th – Argentina's presidential elections,** and Carlos Menem is hoping for a further four-year term after a six-year period in office.

This sporting life: Simpson awaits verdict, Menem plays soccer, Tyson awaits freedom

□ Mike Tyson, barring knockouts on the inside, could be freed from prison.
□ Autonomous Kurdish government to hold parliamentary elections in northern Iraq.
■ 23rd-24th OECD ministerial meeting in Paris.
■ 25th The rugby union world cup kicks off in Cape Town: the hosts against Australia, the current champions. The final will be played on June 24 in Johannesburg.
□ **Regional and municipal elections in Italy.** The date will depend on when, or if, fresh general elections are held: outgoing premier Silvio Berlusconi is anxious for these to be held at the end of March or early April.
■ 28th Nationwide municipal elections in Spain. The polls will be a key mid-term popularity test for prime minister Felipe González.

June

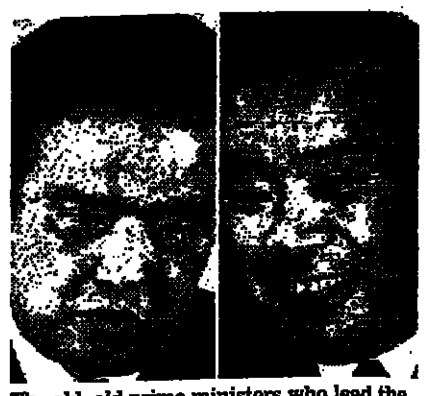
■ 11th Europe's greatest contemporary Art-Fest, the Venice Biennale, congratulates itself on its centenary from June 11.
■ 16th - 18th The Group of Seven economic summit, in Halifax, Nova Scotia – an occasion for serious introspection. The leaders of the US, Japan, Germany, France, Britain, Italy and Canada, as well as the European Commission, will begin reviewing the institutions of global co-operation – UN, IMF, World Bank and Nato – with the intention of making them more compatible with some of the initiatives of the post cold-war world – the WTO and the Partnership for Peace. It is unlikely that the G7 itself will escape discussion.
□ Le Mans 24-hour race, France.
□ The Organisation of African Unity holds its annual summit, expected to focus on conflicts in Sudan, Somalia, Liberia and elsewhere. Elsewhere includes Angola, where the deployment of a 6,000-strong UN force should be in place by the middle of the year to monitor last November's peace pact signed in the Zambian capital Lusaka.
■ 23rd Christo, the Bulgarian-born artist, follows Floridan islands and French bridges with Germany's Reichstag. The once and future parliament will be draped in 80,000 sq m of reflective fabric secured by a royal blue rope. The renowned wrapper has been criticised by Mr Wolfgang Schäuble, parliamentary head of the governing Christian Democrats, who says people will not understand why the Reichstag is being wrapped up – but the people's representatives in the Bundestag voted by a majority of 69 to back the estimated $5m-$7m parliamentary packaging.



□ France holds EU summit in Cannes – Spain takes over the EU presidency.
□ 50 years since the signing of the UN Charter.
■ 30th Deadline for the negotiations on financial services, left over from the Uruguay Round of global trade talks. The talks, covering access to foreign markets for banking, insurance and securities firms, mainly pit the US against Japan and some other east Asian nations.

July

■ 1st The wages of sin may be inexorable but in Taiwan, at least, the taxes will soon be lower. **Taiwan** has promised to dismantle a decades-old government monopoly on production, distribution and sales of **alcohol and tobacco** products as part of its application to join the World Trade Organisation.
■ 5th To celebrate the UN's 50th birthday, a "Musicians for World Peace" concert will be held at Geneva's Victoria Hall with musicians from around the world conducted by Sir Georg Solti playing to an invited audience.
□ Asean annual summit in Brunei.
■ 23rd Elections for members of Japan's Upper House – the first national elections since the formation of the New Frontier party (Shinshinto in Japanese – literally, the New New party). Also a likely turning point for the Social Democratic party and the Liberal Democratic party coalition, as the wrinkles in the governing marriage of convenience are exposed to the electorate. Possibly another pre-poll political realignment.
□ A new novel due from Gabriel García Márquez.
■ 28th *Waterworld*, the $140m aquatic sci-fi epic starring Kevin Costner, stages its US premiere. The most expensive movie ever made was also one of the most problematic. The sets have leaked. The script has been rewritten. The star is already limping from the box office disaster of *Wyatt Earp*. Hollywood gossips are suggesting *Waterworld* may be the biggest box-office bomb of all time. (Of course, they predicted the same for his megahit *Dances with Wolves.*)
□ Under pressure from Taiwanese businessmen frustrated by being forced to travel to China via Hong Kong, in their view a waste of time and money, Taipei will move toward restoring transport links banned since 1949.



The old, old prime ministers who lead the New New party: Toshiki Kaifu and Tsutomu Hata

The Taiwan government has promised to publish in July a comprehensive report on the technical and logistical aspects of direct shipping and air links across the strait.

August

■ 15th The 50th anniversary of the end of **the war in the Pacific.** A difficult year for victors and vanquished as they manoeuvre through a minefield of painful anniversaries. Commemoration of the Hiroshima (on the 6th) and Nagasaki (on the 9th) bombings will strain US-Japan relations, from both directions. Other Asian nations have their own liberation calendars and individual sensitivities that politicians prone to generalisation are liable to offend. In Europe in May, VE Day may offer tub-thumping opportunities, but memories of the UK muddle organising a D-Day jamboree is likely to temper the party spirit. Remembrance and reconciliation will be tested worldwide.
■ 10th-13th PGA Golf in the US.
■ 13th Edinburgh International Festival for drama, music and dance begins.
■ 19th The Rolling Stones will stagger, or swagger, to the end of the highest grossing tour in rock history when they play the final gig in the Voodoo Lounge tour at Hockenheim in Germany. Voodoo Lounge has already won a place in the record books having grossed £150m on the US leg alone. It also claims the record for T-shirt sales – $80,000-worth on one night.

The world remembers

□ Some of the largest British banks, including HSBC Holdings, the parent of Midland Bank, and National Westminster Bank will report half-year results, and may be a little embarrassed at just how profitable they have become.
■ Pain for participants, entertainment for spectators: the World Championship Athletics in Gothenburg, the Palio in Siena.
□ The British Museum in London is putting on a major show of the works of **Utamaro,** one of the greatest of the masters of Ukiyo-e, the "floating world" of Edo; from August into the autumn.
■ 29th 100th anniversary of discovery of rugby league.

September

□ Trade quadrilateral – annual meeting of trade representatives from Canada, EU, Japan and the US.
■ 14th Stockholm: UN conference on the rights of the child.
□ US moratorium on nuclear testing expires.
□ Beijing: fourth **UN conference on women.** It will be an opportunity for Beijing to showcase its policies, and for delegates to raise embarrassing issues, including the detention of dissidents and Tibet.

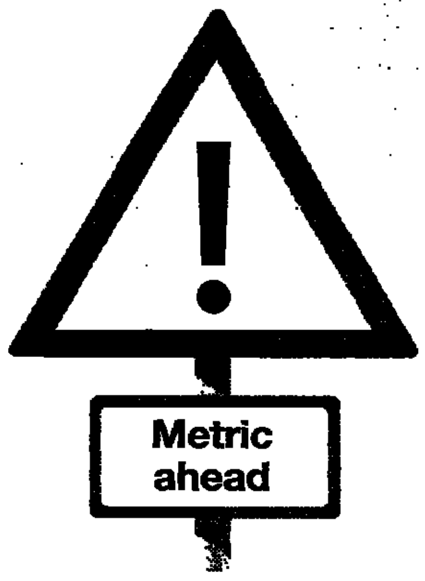
China's daughters have high-aspiring minds,
They love their battle array, not silks and satins
– From *Militia Women,* Mao Zedong, 1961

■ 17th Legislative Council elections in Hong Kong – the last vote under British rule. China has promised to disregard the results when it resumes control of the colony in 1997; a clock in Beijing's Tiananmen Square is continuing the countdown.

□ German budget due to be presented to the Bundestag.
□ IMF annual meeting in Washington – aid to Russia has been the most awkward item on the menu over the past year. About $12bn has been requested by Moscow, but the Chechnya conflict could blow the budget and a few important friendships.
■ 25th Jewish New Year – 5756
■ 30th 1996 **Italian budget** has to be submitted to parliament by this date. Though it is likely to be preceded by a mini-budget, earlier in the year, to cover the inadequacies of the 1995 budget, the government will still need to look for new receipts and revenues of around L35,000bn (£13bn) to hold the deficit at 8 per cent of GDP.

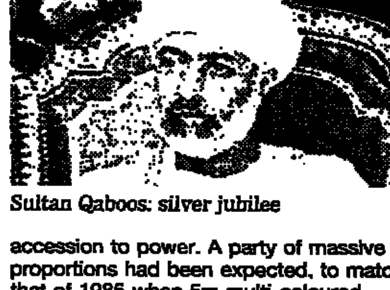
October

■ 1st From today, the UK will move into line with the rest of the EU by adopting **metric measures.** Beer and milk will still sell in pints rather than half-litre measures – provided these precious liquids are in returnable containers. Road signs will stay in miles, rather than kilometres.
□ A second **Hamlet** comes to London. Simon Russell Beale, directed by Sam Mendes, transfers to the Donmar Warehouse after the premiere at Odeon Paris. His arrival follows Ralph Fiennes (of *Schindler's List*) as the Prince of Denmark in Jonathan Kent's production at the Hackney Empire in London's East End in February and then in May at the Belasco Theatre in New York.
□ A general election in Portugal is scheduled, but beware: the opposition Socialists want to bring it forward to June.
■ 12th The Tate offers **Dynasties** – the painting of Tudor and Jacobean England. And the French, from October, promise, at the Grand Palais in Paris, a definitive study of **Paul Cézanne's** life's work.
□ Local government elections in South Africa present **President Nelson Mandela** and the African National Congress with a critical test of their popularity. Voters will be asking whether the party has delivered on promises of jobs, housing and land redistribution.
■ 22nd-24th A global summit, potentially attended by as many as 185 heads of state or government, will mark the **50th birthday of the United Nations** in New York. This special commemorative session of the General Assembly will be the culmination of a year-long programme of events. It is expected to adopt a declaration reaffirming the principles of the UN Charter and setting guidelines for the organisation's future work.
□ Nobel prizes to be announced.
□ Swiss general elections.
□ Inaugural Afro-Asian games due (after three delays) in Delhi.



November

■ 5th-7th Confederation of British Industry holds its conference at Bournemouth.
■ 9th -13th Commonwealth Summit in Auckland.
□ Apec meeting in Osaka: Asian and Pacific leaders will discuss free trade deadlines. Malaysia still wants its own Asian economic grouping which excludes, among others, the US. The big diplomatic questions will be: who is sent from Kuala Lumpur; and what shirts the leaders will be wearing for the photo call. In Indonesia last year, it was batik shirts all round.
□ The German Buss-und-Bettag bank holiday – established as an opportunity for reflection and repentance – is abolished, except in Saxony. For most Germans, business as usual.
■ **18th Oman National Day:** Sultan Qaboos will lead the national celebrations to mark the 25th anniversary of his accession to power. A party of massive proportions had been expected, to match that of 1985 when 5m multi-coloured bulbs lit up the Muscat night, accompanied by laser shows, parades, fly-pasts, camel races and visiting heads of state. Top civil servants found an extra £100,000 in their pay packets. A similar extravaganza followed in 1990, but it may have been the last. With the international community taking a close interest in Oman's widening budget deficit, the scale of the Sultan's festivities this year should be a reflection of the government's seriousness in bringing spending under control.



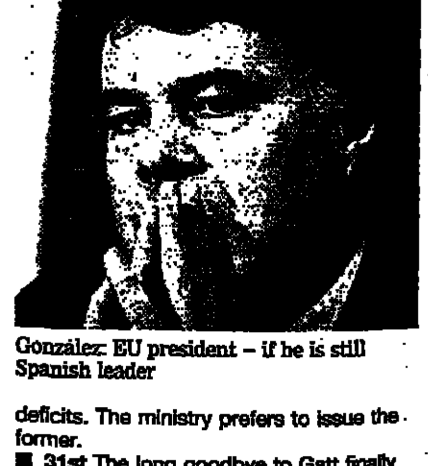
Sultan Qaboos: silver jubilee

□ Presidential elections in Poland and Belgium.
□ General election in Belgium.
■ 21st The tercentenary of the death of Henry Purcell. A year marked by *King Arthur* at the Royal Opera House (May) and *The Fairy Queen* at the English National Opera (October) is crowned with a special event at Westminster Abbey, where Purcell worked for most of his life and was buried in 1695.
■ 22nd London's National Gallery is to show some of the great paintings held by the National Trust.
□ Poland's President Lech Walesa faces all-comers in an election for a second five-year term. The once legendary Solidarity leader's chances are less than even. He is grappling with a hostile parliament and will need to find his populist touch if he is to avoid having to seek employment elsewhere.

December

OCDE OECD

□ OECD world report – Jean-Claude Paye comes dangerously close to presiding over his last OECD global economic outlook. The smoothness of the transition from Paye to the Canadian Donald Johnston will be a leading indicator of relations between North America and Europe.
■ 1st World Aids Day. Red ribbons will flutter on lapels to mark the day, but this year, for the first time in a decade, there will be no international conference on the disease. The gathering, an often rowdy meeting ground for scientists, pharmaceutical executives, health workers and activists, last took place in Yokohama in August 1994 and the next is scheduled for Vancouver in July 1996.
□ 1st Woody Allen's 60th birthday.
■ 8th-10th Madrid **European Union** summit. Prime minister Felipe González will seek to fine-tune outstanding EU problems in preparation for the 1996 inter-governmental conference to review the Maastricht treaty. He will also seek to shift EU emphasis during the Spanish presidency towards North Africa. Part of the groundwork for an EU policy over the Maghreb may be accomplished by a Conference on Security and Co-operation in the Mediterranean, CsCM, that is tentatively sheduled for September in Barcelona. When Spain has had its go, Italy takes over on New Year's day.
□ Nato summit.
□ Deadline for Nafta anti-dumping code.
■ 25th Christmas and the Japanese budget come but once a year. Ministerial bartering over the budget for the coming year is in its final days. The Ministry of Finance will again agonise over the nomenclature of its bonds – construction bonds, used to cover deficits, or deficit-covering bonds, used to cover deficits. The ministry prefers to issue the former.



González: EU president – if he is still Spanish leader

■ 31st The long goodbye to Gatt finally comes to an end. The acronym goes onto the global marketplace, duty free.

MPs may investigate solvency of Lloyd's

By Ralph Atkins, Insurance Correspondent

A House of Commons inquiry into the system of self-regulation at the Lloyd's of London insurance market, which many hard-hit Names blame for heavy losses in recent years, may also investigate the market's solvency.

Sir Thomas Arnold, Conservative chairman of the Commons Treasury committee, said the inquiry followed similar studies of other parts of the financial services industry and that it would focus on regulatory control.

However, he added: "It is quite proper to ask a few questions about the solvency of Lloyd's."

The investigation, which is expected to be launched at the end of next month, comes at the start of a crucial year for Lloyd's.

Mr Peter Middleton, chief executive, and Mr David Rowland, chairman, are trying to forge a fresh out-of-court settlement to end litigation threatened by lossmaking Names, individuals whose assets have traditionally supported the insurance market.

Failure to reach a new settlement could hinder severely Lloyd's attempts at collecting money owed by Names, making it harder to pass government solvency tests.

Lloyd's next set of annual results are expected, under the insurance market's three-year accounting system, to show further losses incurred in 1992.

Sir Thomas said his committee would examine whether Lloyd's should continue to police its membership, with the Department of Trade and Industry taking only arms-length responsibility.

The committee is expected to take evidence from Mr Rowland, civil servants, ministers and groups representing Names.

An early submission from the Lloyd's Names Associations' Working Party, an alliance of hard-hit Names, concludes: "Rarely can so many people have suffered as much damage as the regulatory failure at Lloyd's has caused."

The working party blames the regulatory failure in particular for the losses which were incurred on the so-called insurance "spiral" by which underwriters agreed to cover others against excessive losses from catastrophes.

Its submission also says that Lloyd's has failed in the past to set adequate minimum reserve levels or to maintain underwriting standards.

The working party also complains that the lack of proper information disclosure resulted in misrepresentation to Names.

British Gas may put meter-reading work out to contract

By Motoko Rich

British Gas, the former state utility, said yesterday that discussions were taking place about the possibility of contracting out its meter-reading service, raising service charges and beginning a fresh round of executive pay increases.

The company said: "It is no secret that we are looking at ways of making meter reading more efficient and the possibility of outsourcing is being looked at. But it is not yet company policy."

It is understood that Group 4, the security organisation, is one of the companies being considered to run the meter-reading service.

British Gas added that no decision had been made on service charges or reported plans to award significant pay rises to the so-called "Above Group" of senior company executives.

It said none of the reports was new and that they had come from an early draft of a document prepared by a working group consisting of representatives from British Gas, its corporate communications staff and external consultants.

The working group was set up to "address the issues that have arisen in recent weeks" and is reviewing a "number of presentations" from external consultants. A company official said: "Nothing has been agreed".

British Gas has aroused a storm of controversy in the past month with its pay and policy decisions. A 75 per cent pay rise for Mr Cedric Brown, the group's chief executive, combined with plans to cut wages and holidays for the company's lowest paid employees, caused a political row.

German cancellation is blow to reprocessing hopes

Shadow over nuclear plant

Prospects for British Nuclear Fuels' controversial Thorp plant in north-west England have darkened with the sudden cancellation at the end of last month of two contracts from German nuclear power stations.

There were special reasons for the German pull-out, but the decision remains a serious blow as it underlines growing disenchantment in the nuclear power industry with the problems and costs associated with fuel reprocessing.

The cancellations come as the £2.85bn plant approaches the end of a start-up phase delayed by government indecision, environmental opposition and technical problems.

Thorp is one of only two facilities in the world which reprocess spent nuclear fuel (the other is Cogema in France). It separates spent fuel into uranium, plutonium, and waste products. When first conceived 20 years ago, Thorp offered many advantages: uranium was scarce and plutonium had a high military value. Reprocessing also seemed to answer the problem of nuclear waste disposal. Utilities in Europe and the Far East were eager to sign contracts.

The economic case for Thorp was based on the 7000 tonnes of spent fuel it could reprocess in the first ten years. That case showed that the plant could pay back all its costs and make a profit. Much of the spent fuel covered by the contracts has already been shipped to the Thorp site in Cumbria.

Since then, BNFL has been seeking contracts for the second ten years, from 2004 to 2014. Until last month, it had sold 40 per cent of this capacity, giving Thorp a total order book worth £9bn. The two cancellations, totalling 450 tonnes, have reduced booked capacity to 23 per cent.

BNFL is putting a brave face on the loss of £360m ($562m) of business. It will receive £100m in cancellation penalties. It also emphasises that the loss does not affect the economic case for Thorp.

But the German cancellations show that the tide may be turning against reprocessing. Uranium supplies have multiplied, and plutonium has lost its military appeal: in fact, it has become a massive environmental liability.

An alternative means of disposing of nuclear waste has become technically possible – and permitted by regulators. This is direct disposal in specially constructed stores where the fuel can "cool" for several decades before final disposal.

The benefits of reprocessing are under question. Recent events suggest that, when nuclear utilities are offered an alternative, some will take it.

David Lascelles and Andrew Fisher

Burden of VAT rules 'outweighs advantages of customs-free trade'

By Jim Kelly, Accountancy Correspondent

More than 40 per cent of UK businesses think the burden of meeting single European market value added tax regulations outweighs the advantages of customs-free trade.

A survey published yesterday by KPMG Peat Marwick, the accountancy firm, sought the views of 400 businesses which have to deal with new tax rules introduced two years ago.

Before the single market, VAT was paid on imports at the point of entry. Now large companies have to report monthly on imports to the Customs and Excise Department.

Exports have continued to be zero-rated for VAT, but businesses have to provide a quarterly report summarising the value of sales to each VAT-registered purchaser in the EU.

In spite of two years of using the new system, the survey found that 56 per cent of businesses felt the new reporting requirements were too onerous. Large businesses found them most onerous.

About a third of businesses engage in chain transactions in which goods are sold to an intermediary while delivery is direct to the final customer. The rules were simplified for such cases in December 1992, but 44 per cent of the businesses questioned said this had made little difference.

Nearly a quarter of businesses said the new system had made deliveries to EU customers faster and 14 per cent said they were now slower. Nearly 40 per cent thought a single European currency would benefit them. Mr George Michie, a partner at KPMG Tax Advisers, found the results "faintly encouraging" but said that "fundamental problems" existed. He called for simplification. Reporting requirements on imports were too complex and should be reformed. Businesses involved in complex chain transactions should be relieved of some burdens of compliance.

UK NEWS DIGEST

Murder case man dies in cell

Frederick West, who has been accused of 12 murders in his home city of Gloucester and nearby countryside, was found hanged in his prison cell yesterday, the Prison Service said. Officers at Winson Green Prison in Birmingham discovered tried without success to revive him. Mr West had been in custody since April last year while his Gloucester home, under which the remains of several bodies were found, became world-famous.

News of Mr West's death spread swiftly in Gloucester, an historic city which is still attempting to come to terms with the unwanted publicity attaching to Britain's most macabre mass murder.

After the grisly discovery at the West home of the remains of nine young women including daughter Heather West, the three-storey house was bricked up and sealed off. A distinctive wrought-iron number sign, which appeared in photographs all over the world, was removed by police for safekeeping from souvenir hunters.

A Prison Service spokesman said: "He was found by staff who attempted to resuscitate him and a doctor certified death. News of Mr West's death was given to Gloucestershire police by the deputy-governor of the Birmingham prison. Inspector David Morgan said: "The circumstances are being reported to the coroner and will be investigated by West Midlands police."

Home secretary Michael Howard was criticised at the news of Frederick West's death. Opposition politicians attacked Mr Howard for yet another prison security lapse in the wake of the armed escape attempt at Whitemoor prison in Cambridgeshire of five IRA men. Shadow Home Secretary Jack Straw called for a thorough inquiry into the West case.

Gloucester City council is mortgage-holder on the West's former home and some councillors favour its demolition.

Crackdown begins on job agency licensing

A new licensing system for employment agencies comes into effect tomorrow. The changes were introduced in the Deregulation and Contracting Out Act last year as the old system had not succeeded in weeding out unscrupulous business.

The legislation has introduced powers to order the closure of job agencies. Statutory minimum standards of conduct and the right of inspectors to investigate agencies will remain. The Department of Employment said the licensing provisions introduced in the Employment Agencies Act of 1973 were not helping to maintain standards in the industry.

Miss Ann Widdecombe, employment minister, said the licensing had been bureaucratic and difficult to justify. "Employment licensing did not establish a licenceholder's honesty or reliability for all time," she said. "Serious breaches of the statutory minimum standards of conduct for agencies have occurred, such as agencies charging fees to job seekers or breaching other statutory standards."

Two killed in fire at Highland ski resort

A man and woman were killed after fire broke out at a hotel in the Scottish Highlands during new year celebrations. The blaze began in a kitchen storeroom on the ground floor of the Four Seasons Hotel in the busy Aviemore ski resort.

Acrid smoke quickly spread throughout the 90-bedroom eight-storey building from which guests were evacuated. Rescuers found a woman in distress in her fourth-floor bedroom and brought her out of the hotel by ladder, but she died on the way to the ambulance.

About 190 guests, including 32 children, many skiers and international guests hoping to sample a traditional Scottish Hogmanay were caught up in the drama.

Fire brigade units and a fleet of seven ambulances had difficulty getting to the blaze as heavy snow affected Highland roads.

Car-carrying trains to to be dropped

The Motorail service, which carries about 20,000 cars a year, will end on May 28. British Rail said yesterday. The loss of the long-established service, forcing more vehicles on the road, will anger environmental organisations.

Motorail operates "piggy-back" on sleeper services. Seven Motorail trains each way connect London, Bristol and Scotland daily, except on Saturdays.

OFF THE ROAD: A man of 91 has cancelled his car insurance after 74 years of accident-free driving. Mr Richard Crosby of Ilkley, West Yorkshire – whose first car was a Model T Ford – said he was giving up because "there are too many young fools driving on the roads".

MILES AWAY: Cast-iron mileposts are being stolen from roads in North Yorkshire. The mileposts were put in place more than 100 years ago and many are classified as historic monuments. Highways officials say they are being sold at auctions and at back-street antiques fairs.

GROWING BACK: A classic country-house kitchen garden is to be restored at a cost of £500,000 ($780,000). The 5 ha garden, which had been abandoned for almost 50 years, used to supply fruit and vegetables to Tatton Park, an estate which is now owned by the National Trust. "When complete, it will make Tatton the most complete estate of its kind in the country," said head gardener Sam Youd. "Similar gardens at other big houses were turned into car parks when they were opened to the public."

MANAGEMENT

Rise, fall and climb of a giant

BTR's public image has taken a battering recently, but it now believes it can look forward to the future with confidence, says David Wighton

Alan Jackson, chief executive of BTR, hosted a dinner for 200 of the conglomerate's top managers just before Christmas at which he told them not to believe the knockers in the press and the City. BTR could still look forward to the future with confidence.

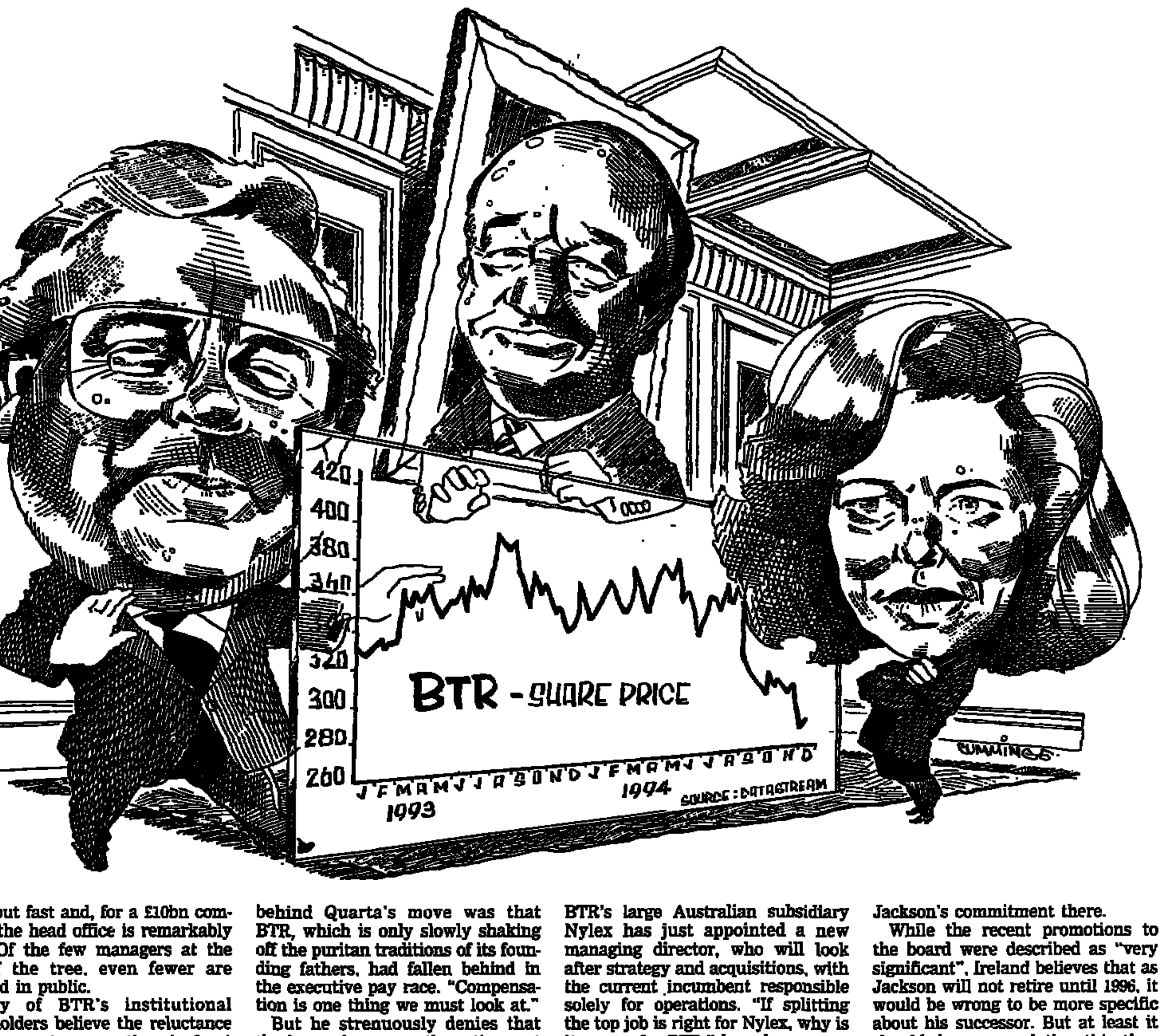
That Jackson should feel the need to voice such confidence is testimony to the vast change in the group's public image over the past year. All companies, even those as reliable as BTR, go in and out of City favour. But BTR's fall from grace has been dramatic. Since summer 1993 the shares have lost a quarter of their value as investors' confidence has taken a battering.

What makes this even more unnerving is that one of the new "weaknesses" identified by critics has always been viewed as a key strength: management. The City suddenly started to ask whether BTR had the right management structure, the right management style, or indeed the right managers.

There were other worries too: were BTR's fat margins sustainable in a low-inflation world? Could it still make big acquisitions that pay off now that accounting rules have been tightened? Together these made a powerful brew which BTR's minimalist approach to investor relations did little to antidote.

Things came to a head in September when the announcement of an unexpected fall in the company's margins sent the shares down 12 per cent in a day.

BTR insists that the fears about its margins were overdone and that there is no lack of acquisition opportunities. But looking back it agrees with its critics that its presentation could have been better and that some of the concerns about management were justified. The question is whether they are on the mend.



BTR entered the 1990s as one of the UK's most respected companies. The winner of countless business awards it was no longer lumped with acquisitive conglomerates like Hanson, which were rapidly going out of fashion, but was seen as a model of modern industrial management.

Unlike Hanson, it had come through the recession with barely a hiccough in profits and no pause in dividend growth. It had also negotiated the tricky handover from the founding generation, with its chief architect Sir Owen Green finally retiring as chairman in 1993.

Yet suddenly the City began to be plagued by doubts. One nagging worry was who would succeed Alan Jackson, the 58-year-old Australian chief executive, and the chairman, Norman Ireland, who is 67. In a way this was odd since, over the years, BTR has shown a consistent ability to grow its own top executives. It has rarely needed, or wanted, to look outside.

Yet, BTR's famously flat management structure makes the line of succession difficult to discern. BTR has hundreds of operating units whose managers have considerable autonomy within the strict confines of their agreed budgets.

Above them the management tree thins out fast and, for a £10bn company, the head office is remarkably bare. Of the few managers at the top of the tree, even fewer are exposed in public.

Many of BTR's institutional shareholders believe the reluctance to put more top executives in front of the City has been an important mistake. "It means the market worries about what happens if Jackson is run over by a bus and overreacts when one of the few people they do know about leaves," says one leading shareholder.

Considering BTR's reputation as a management training ground, it has lost very few top executives. But those who do depart appear to leave large holes.

Last year's departure of Roberto Quarta, then 44, was seen as a severe blow to BTR. A dynamic and charismatic Italian-American, Quarta was viewed as a strong contender for the top job having joined the main board eight months before.

"Quarta is good, very good, and his move was a big shock both inside and outside the company," says one former BTR executive.

While dismissing the idea that Quarta was earmarked for succession Jackson agrees that his was a bad loss. He believes one factor behind Quarta's move was that BTR, which is only slowly shaking off the puritan traditions of its founding fathers, had fallen behind in the executive pay race. "Compensation is one thing we must look at."

But he strenuously denies that the latest departure, the retirement of chief operating officer Bob Faircloth, is anything to worry about.

"Bob came over from America in 1988 to spend three years in Europe. I talked him into staying in the newly created chief operating officer post for another three years but he always planned to retire early."

Jackson insists that Faircloth, who is the same age, was never expected to become chief executive or chairman and that scrapping the post of chief operating officer, created specifically to deal with the Hawker Siddeley acquisition, will bring benefits. Investors have been unsettled nevertheless.

"We believe that Jackson has too much to do already and doing away with the chief operating officer will only make matters worse," says one of BTR's biggest investors. Few close observers doubt the ability of Jackson or of Kathleen O'Donovan, the 36-year-old finance director, but many believe they take on too much.

One fund manager points out that BTR's large Australian subsidiary Nylex has just appointed a new managing director, who will look after strategy and acquisitions, with the current incumbent responsible solely for operations. "If splitting the top job is right for Nylex, why is it wrong for BTR," he asks.

Former BTR managers also question the move. One states: "Bob performed some important complementary functions particularly in terms of cultivating management talent. He was much more accessible than Alan Jackson, who is always on a plane to America, Australia or China."

Jackson argues that cutting out the chief operating officer role will improve internal and external communications. He is eager to revert to BTR's traditional structure where the regional managers report directly to the chief executive. Sensitive to investors' pleas to see more faces, he also promises to give the regional chief executives greater opportunity to present their operations, a role formerly filled by Faircloth.

Ireland insists that the change will give more responsibility to Chris Burns, Paul Buysse and John Thompson, who joined the board in September, and adds that the Australian appointment will reduce Jackson's commitment there.

While the recent promotions to the board were described as "very significant", Ireland believes that as Jackson will not retire until 1996, it would be wrong to be more specific about his successor. But at least it should douse speculation this time that O'Donovan is being groomed for the top job.

Behind the worries about succession lies a more fundamental concern about BTR's management structure. "The problem with the structure is that it does not encourage the development of managers with the breadth of vision needed at the top," argues one former senior executive.

"Between the operational guys and the top there are people in the middle who are essentially postmen. The individual units have great autonomy within budgets set at the top. This makes it difficult, and not particularly rewarding, to work your way up the rungs."

The autonomy of the individual units has other implications, too. It has meant there has been relatively little co-operation between, for example, a subsidiary making industrial belting in Australia and another making similar products in the US.

"Historically, the only glue binding BTR businesses together were financial controls," says one analyst.

Jackson freely admits there was something in these criticisms but insists that they have been addressed.

In the three years since he was appointed managing director he has attempted to build worldwide businesses in its core product areas, filling gaps with acquisitions and transferring technology between different units.

Jackson's supporters believe the changes he has made to the group tend to be underplayed. One analyst comments: "The changes have been quite significant but he has to be careful not to appear to criticise Sir Owen who is held in very high regard."

Sir Owen is also a maverick with some strongly-held views on management and corporate governance. He once described "focus" as "the crutch for average management"; yet Jackson has tried to bring greater focus to BTR by, for example, selling off its distribution businesses.

Sir Owen is also renowned for his opposition to external non-executive directors, the cornerstone of the new corporate governance orthodoxy, preferring to put former BTR executives on the board.

But in a little noticed break with tradition, Nylex appointed its first external director earlier this year, and close observers believe its parent will follow suit before long.

Ireland, a former BTR finance director who shares Sir Owen's doubts about Cadbury-style non-executives, admits that the issue is being reviewed following the share price fall. "We still believe that BTR needs directors who understand our very complex business. But we are not that bigoted and are reviewing the subject again."

Such a move would be welcomed by many institutions which believe advice from directors not steeped in BTR's culture might have prevented some of the upsets of the past 18 months. "It might just have stopped them giving the markets such contradictory signals," says one fund manager.

With hindsight BTR advisers admit that the trading statement given at last year's annual meeting was probably too upbeat and the warning about margins with the interim figures too alarmist.

The warning was designed partly to persuade some analysts to reduce their forecasts but the code was misinterpreted. BTR is scrupulous about not giving analysts private guidance and accuses some of deliberately setting high forecasts to generate business when they downgrade.

Ireland believes that apart from some mistakes in presentation, which have been rectified, there is little more the company can or needs to do to restore confidence.

"If we don't produce the results, we deserve what we are getting. If we do, I hope we will get some forgiveness."

But, as he points out, there has been little wrong with its results. It seems that the old BTR adage that "the results speak for themselves" no longer holds true.

PIONEERS AND PROPHETS

W. Edwards Deming

The first 80 or so years of Deming's life were a vivid illustration of the saying that a prophet is not without honour, save in his own country.

Reputed to have been the most revered American in Japan in the 1950s after General MacArthur, he did not establish a reputation in the US until 1980 when NBC Television broadcast a documentary entitled "If Japan Can, Why Can't We".

Almost overnight he became a celebrity and the "quality" ideas which he first developed after the second world war became fully implanted in the west.

Before Deming, quality was regarded as a matter of inspection and of correcting discovered faults rather than of managing the production process to eliminate them.

Strongly influenced by Deming and Joseph Juran – who both gave lectures in the early 1950s – the Japanese took this latter idea and used it with devastating effect to build world-class industries in products such as copiers, cameras and cars.

William E Conway, president and later CEO of the Nashua Corporation, was one of the first Americans to hire Deming. He only agreed to help, though, on condition that Conway became the "change leader" for a programme which ultimately achieved astonishing improvements in lead times and customer claims. When Deming died last year, aged 92, Ford (an early convert), AT&T, Kimberly-Clark and Procter & Gamble were among the big corporations which had reason to feel grateful for his support.

Deming's statistical quality control principles were first worked out in the 1920s by Walter Shewhart, a Bell Laboratories physicist, at Western Electricity's Hawthorne plant in Chicago (also the scene of Elton Mayo's studies into motivation and the employee-management relations).

Deming claimed only 15 per cent of production faults could be blamed on employees, the rest were down to management. His now-famous "14 points" – which also focused on currently fashionable issues such as leadership and training – were developed over 20 years.

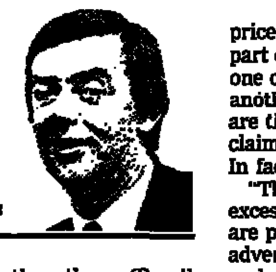
At the heart of his philosophy – and that of Total Quality Management (TQM) – is the idea of the customer as the most important part of the production line. "What about the multiplying effects of an unhappy customer? Is that in your figures? Did you learn that in your school of finance," he asked in a lecture at Utah State University School of Business in 1983. He sharply criticised the sort of management that always "wants figures, more products and never mind the quality".

Sir John Egan, who applied Deming principles in turning round Jaguar Cars in the early 1980s, wrote of the guru's 1986 book *Out of the Crisis* that it was "required reading for every chief executive in British industry who is serious about ensuring the international competitiveness of his company".

Deming, who gave his name to a prize which is competed for annually by Japanese companies, said that if he had to reduce his message to just a few words, "I'd say it all had to do with reducing variation".

Tim Dickson

New line of attack in Great Soap War



MICHAEL THOMPSON-NOEL

The Great Soap War between Unilever and Procter & Gamble is not their only worry. Hard on its heels, a complaint about them has been made to the UK's Office of Fair Trading (OFT) by a London-based campaigning organisation, the Women's Environmental Network (WEN), which has not pulled its punches.

The Great Soap War started last March following Unilever's launch in Britain of an innovative fabric detergent, Persil Power, which contains manganese, a catalyst that can boost a detergent's effectiveness. But it also attacks fabrics. Not a bright move.

Yet Unilever and P&G will have more than the Soap War's aftermath to worry about if the complaint to the OFT by WEN results in them being referred to the Monopolies and Mergers Commission for alleged restrictive trade practices within the UK detergents market.

The OFT investigated this market as recently as 1992. It did not see a need to refer it to the Monopolies Commission, though its then director-general, Sir Bryan Carsberg, *said he would remain on the look-out* for evidence of exploitation of market power by Lever Brothers (part of Unilever) and P&G.

However, the new complaint to the OFT says there has been an "alarming increase" in advertising and promotional spending on detergents by the two companies since then. As a result, their effective stranglehold is now "far worse" than in 1992 or in 1966, when the Monopolies Commission, after an investigation, called for big reductions in wholesale prices of detergents – and in selling expenses.

WEN has reported P&G and Unilever to the OFT for alleged trade practices that have led to "higher prices for consumers, the creation of a barrier to entry for other companies, and a restriction of product varieties and environmental improvements."

Doubtless, the two companies will have much to say when they have prepared full responses; but so may the OFT.

In a summary of its case, WEN claims that the "blatant level of overkill in advertising has for many years served only to maintain the [companies'] duopoly, and to induce consumers to over-dose, over-wash and over-spend."

P&G and Unilever, it says, are Britain's first and second heaviest advertisers, with an estimated combined above-the-line spend of nearly £94m on washing powders and liquids in 1994. P&G owns four of the UK's top seven laundry detergent brands (Ariel, Bold, Daz, Fairy), and Unilever the other three (Persil, Radion, Surf). Together, says WEN, these account for nearly 90 per cent of sales and almost all the sector's advertising spend.

Overall, the increase in ad spend over the last 10 years has greatly exceeded the increase in sales, says WEN. The companies' *total* advertising and promotional support of these brands is estimated by WEN to have cost more than £120m in 1994 – something like 72p on average per 2-kilo packet of washing powder bought, or 5p per single wash. Astonishing.

P&G and Unilever, WEN claims, have "substituted advertising for price competition". Further, a big part of this spending goes on pitting one commonly owned brand against another. Daz and Ariel, for instance, are thrown against each other, both claiming to wash better or whiter. In fact, both are owned by P&G.

"The result of this extraordinarily excessive spend is that consumers are paying large sums of money for advertising which serves them no real purpose . . .

"In most other European countries, there exist at least three major players, including Henkel, together with some minority players. With a huge market like the UK, it is clear that these other companies cannot possibly enter the market due to the unthinkable sums they would have to spend to achieve any substantial market share."

There are other charges against Unilever and P&G in WEN's closely-reasoned complaint to the OFT – for example, that they are producing "different" brands with near-identical ingredients and product functions. This misleads consumers, who assume that real competition and diversity of choice exist.

Lever denies WEN's claim that since *1992* it has upped its ad spend and passed the cost on to consumers. Curiously, however, it does not argue with the estimates for 1994, either for advertising expenditure or for the grand promotional total.

"Across the broad range of washing powders," it says, "prices to consumers have either risen very slightly or have actually fallen compared to two years ago. . .At the same time it must be recognised that Lever will continue to support its brands through advertising. . .Ultimately, Lever does not set the price of detergents in-store, and in today's competitive environment it could pay to shop around." It says there is fierce competition on the pricing of detergents, which can only benefit consumers.

Whatever Unilever and P&G say, I would not, for now, want to be chairman – or even doorman – of either company.

BUSINESS TRAVEL

More trains to Paris

The number of high-speed trains from London to Paris through the Channel Tunnel is being [illegible] a day, Eurostar, the operator, [illegible] From January [illegible] trains will leave London Waterloo International each day for the French capital, and [illegible] Three will [illegible] for Brussels. The service, launched last November, offers a [illegible] London-Paris journey time of about [illegible] with fares ranging from £95 to £195.

Noise over Hong Kong

After spending a night in a church near Hong Kong's airport at the weekend, the colony's top aviation official said it was not just the noise from overhead aircraft that kept him awake. Peter Lok, director of civil aviation, said he could not sleep mainly because of the road traffic. He spent the night in church after 300,000 Kowloon City residents objected to his plan to increase early morning and night-time flights at Kai Kai airport because of excessive noise from the airport. Lok said the extra flights would earn Hong Kong US$551m a year. The government is also building a new airport on an offshore island, due for completion in 1997.

US flight discounts

In the US, USAir and Northwest Airlines have said they are matching the discounted fares already announced by Continental Airlines. Continental's programme starts January 5 and ends May 23. The discounts apply to seven-day advance-purchase fares and vary from 49 per cent off Cleveland-Denver flights to 6 per cent reductions for Los Angeles-Newark. A USAir spokeswoman said its reductions would apply in "hundreds of markets" more than Continental's, mainly involving travel up and down the US east coast.

Northwest said it was matching the cuts in competitive markets. Southwest Airlines is also offering reduced fares from selected cities for travel from January 4 to March 15. Its seven-day advance-purchase fares will be an extension of current discounts on travel from Chicago, St Louis, Baltimore, Cleveland and Salt Lake City, and will include, for the first time, Kansas City, Indianapolis, Louisville and Columbus. Southwest said its discounted one-way fares will range from $19 to $99.

Asian earthquakes

Fifty people were injured in an earthquake with a preliminary magnitude of 6.1 off the coast of southern China, while a moderate earthquake put at magnitude 4.6 shook Tokyo, both at the weekend. Epicentre of the Chinese earthquake was about 95 miles north-west of the coastal city of Haikou on Hainan Island. No deaths were reported. The Royal Hong Kong Observatory said some colony residents felt the tremor.

There were no reports of damage or injury from yesterday's earthquake centred 50 miles beneath Tokyo Bay, authorities said. Last week an earthquake 390 miles north-east of Tokyo killed two people and injured 233.

Drivers' protest

Belgian truck drivers protesting against an environmental road tax suspended traffic blockades for the holiday weekend, but said the protests would continue this week. The Walloon regional UPTR road transport federation is leading the protests. UPTR wants the tax, which takes effect this month and is also being introduced in Luxembourg, the Netherlands, Germany and Denmark, to be delayed by six months, and for the government to offer full compensation.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	10	14	11	10	9
Hong Kong	23	23	20	21	20
London	3	4	5	7	7
Frankfurt	3	2	-1	0	-1
New York	6	-1	-4	-6	-3
L Angeles	15	18	19	18	17
Milan	9	6	3	4	4
Paris	3	2	1	4	7
Zurich	0	0	-4	1	0

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Smart Guide: **Toronto**

Eat at the muffin stand

What is the best part of town to stay in?

That depends where your appointments are. Most business visitors stay either downtown or about a mile north, in the Yorkville shopping area. But many companies have moved out to dormitory towns such as Mississauga, Markham and Ajax. Adequate but sterile hotels have sprung up in these outlying areas.

Hotels?

Toronto's most elegant – and pricey – hotels are the King Edward (downtown) and the Four Seasons (Yorkville). The Sheraton, Hilton, Inter-Continental (Yorkville), Marriott and Novotel are all comfortable and convenient. The Westin Harbour Castle has fine views over Lake Ontario, but is a 10-minute walk (or a short tram ride) from the financial district.

What about restaurants?

A flood of immigrants has given Toronto an endless variety of ethnic restaurants. The Bangkok Garden is the best – but most expensive – Thai restaurant. An array of less formal places (Japanese to Croatian to Italian and everything in between) dots King Street West and Queen Street West, between Simcoe and Peter Streets.

Popular business-lunch spots include the somewhat noisy Jump Café and Bar, in Commerce Court East, and Acqua, which faces the cathedral-like atrium of BCE Place. The dining room at the Hotel Victoria serves tasty and reasonably priced lunches. A few blocks east, La Maquette has a bright, glass-enclosed dining area.

For something a little different, try Alice Fazooli's Italian Crabshack and Saloon, a converted warehouse on the north-west fringe of downtown.

Breakfast in most hotels is a rip-off. Unless you're an eggs-and-bacon person, the muffin-and-coffee stands in the underground shopping malls make a good, cheap alternative. Best spots for a business breakfast are Café Victoria at the King Edward and the Prince Arthur Room at the Park Plaza (Yorkville).

Is there much entertainment?

Take your pick. The most popular show in town right now is a lavish production of *Showboat*. *Phantom of the Opera*, *Miss Saigon* and *Crazy for You* have settled in for long runs. At *Phantom* you can see the splendidly restored Pantages theatre.

An array of live theatre companies caters to almost every taste. The Canadian Opera Company is based in Toronto, and the Toronto Symphony, under its new Finnish musical director, Jukka-Pekka Saraste, performs at Roy Thomson Hall.

Sports bars, where entertainment consists mainly of giant TV sets tuned to baseball, hockey or basketball, are popular among 20 to 30-year-olds. A cluster of them is located near the SkyDome, the sports stadium with the bulbous roof.

What are the local quirks?

Be warned: Canadians eat early. Lunch starts between noon and 12.30. A business dinner typically starts at 6.30 or 7pm. You are likely to be back in your hotel room in time for the main TV news at 10pm.

A trip to Toronto between December and March can be a miserable – and possibly dangerous – experience without suitable winter clothing. Gloves, hat, warm coat and overshoes or boots are essential.

How do I get around?

Toronto is not New York. Walking is safe at any time of day or night. So is the efficient and clean subway system. If all your business is near the city centre, stick to taxis and subway, but hire a car for trips to the suburbs: cab fares are steeper than in the US.

What if I have a spare day?

The McMichael Canadian Art Collection, less than an hour's drive north of the city in the village of Kleinburg, is set in a 100-acre wooded estate. The views from strategically placed windows in the galleries are as arresting as the paintings of Canada's Group of Seven landscape artists, and the extensive Inuit art collection.

Downhill and cross-country skiing is available at numerous places within a 90-minute drive. Horseshoe Valley is one (sometimes crowded) resort which offers both, as well as equipment rentals. Ask your business associates if they belong to a club with private slopes.

Sports fans and engineering buffs may be intrigued by the SkyDome, the 52,000-seat stadium with a retractable roof. Tours, which are more interesting than they sound, take place throughout the day. Bank of Montreal's former head office in the financial district has been converted into the Ice Hockey Hall of Fame. But don't book for a hockey game. Team owners locked out the players in September, and the first puck of the season has yet to be dropped.

Bernard Simon

Toronto skyline: the intriguing SkyDome next to the CN Tower Picture: Glyn Genin

An hour to spare: **Berlin**

Glimpse of Greek art from Turkey

You are in Berlin, with an hour between meetings. What to do?

Berlin's greatest art treasure is one of the seven wonders of the ancient world – and one that the modern town council of Bergama in Turkey demanded back in 1986. Buffs may denounce the Altar of Zeus, built by the Greeks at Pergamon in west Turkey in 180-160 BC, as late and debased; but its colossal frieze of gods and giants locked in battle is an impressive sight.

Far less celebrated but no less remarkable is the portion of Nebuchadnezzar's Babylon, which has also found its way to the Pergamon Museum on Berlin's Museuminsel.

Magnificent roaring lions, carved in brick-relief and glazed with coloured enamels, prowl along either side of the processional way built by Nebuchadnezzar II around 600 BC. Set in their frieze against a vivid blue, and bordered by rosettes and bands of black, white and ochre, the lions are symbols of the goddess Ishtar, adored in Babylon as ruler of the sky, goddess of love and patroness of the army.

The northern gate of the inner wall of the citadel, the Ishtar Gate, is also partially reconstructed in Berlin (as is the throne room from the south palace). Again built of glazed, kiln-baked bricks, it is decorated with alternating rows of bulls – the holy beasts of the weather god Adad – and dragons, the scaled, proud-tailed and elegant symbols of the city god, Marduk.

As Nebuchadnezzar's inscription records: "I set up wild bulls and furious dragons in front of the gates and this magnificently adorned them with luxurious splendour for all mankind to look at in surprise." We do.

Susan Moore

PEOPLE

NAMES IN THE NEWS

O'Brien steps up at Canadian Pacific

David O'Brien is not short on ties to Canadian Pacific, writes Robert Gibbens. The 53-year-old lawyer and corporate trouble-shooter takes over next month as president and chief operating officer of the transport, energy, coal, hotel and property group. He points out that his father represented the company at regulatory tribunals in the 1950s and 1960s, while he himself arrives from PanCanadian Petroleum, CP's 87 per cent-owned upstream oil and gas arm. But he takes nothing for granted. "I've still got a lot to learn. You've got to be a very good businessman [to run the company]."

Change was in the air when the federal government rejected CP's C$1.4bn bid for rival Canadian National Railways' Eastern Network, prompting the ousting of 51-year-old James Hankinson from the president's chair. With the heir apparent to chairman and chief executive William Stinson, 61, out of the way, O'Brien could be in line for the top job if he plays his cards right.

He joins at a critical time for the company, which was widely criticised for shedding its mining, metals and forest products divisions at the bottom of the cycle. His biggest challenge will be to improve the profitability of the railway side. "You can expect quick action because he focuses on priorities and wants immediate results," says Gerald Protti, president of the Canadian Association of Petroleum Producers.

O'Brien spent a decade with a Montreal law firm before moving in 1977 to Calgary and Petro-Canada, one of Canada's two biggest integrated oil companies, initially as general counsel. He returned to Montreal in 1989 to head Quebec's natural gas distributor, then looking to expand in the US. The plan failed; a year later he was back in Calgary heading PanCanadian.

O'Brien swiftly restructured the company, doubled the exploration and development budget, and lifted both output and profits by about 50 per cent. He will be succeeded by David Tuer, 45, senior vice-president of marketing.

Packer jr packs a punch

The chips are down for young Jamie Packer, writes Nikki Tait. As the only son of Kerry Packer, Australia's richest businessman, he has been pushed to the fore in his father's battle to develop Sydney's new A$1bn-plus casino, which is regarded as the plum in Australia's fast-growing casino industry.

The fight is being seen as the first real test of whether Jamie, 27, has inherited the business skills of his 57-year-old father or his grandfather, the late Sir Frank Packer. It is young Jamie's first fight with the big boys.

Having been outbid for the rights to develop the casino earlier this year, Packer is having considerable trouble wresting the coveted prize back from the victor, a consortium of the US's Showboat and Leighton Holdings. A public inquiry concluded in mid-December that Leighton, an Australian construction group, was an unsuitable casino operator. But the Casino Control Authority immediately accepted an arrangement whereby Leighton was quarantined from the property's management.

By the time Packer's consortium had lodged a legal action objecting to this, the up-front fee had changed hands and the licence had been formally awarded. However, the Packers are not accepting defeat and their lawyers continue to pursue their claim.

Jamie has been working in his father's empire since the mid-1980s, and went on the board two years ago.

He was thrust into the front line for the first time after the Sydney casino venture blew up when his father was abroad.

He seems to enjoy the attention, and even gave an extensive interview, a true break with family tradition. This revealed a fairly conventional business grooming – school in Sydney's prosperous eastern suburbs, a year as a jackaroo on a family cattle station, and then into the family business where he was tutored by Al Dunlap, Sir James Goldsmith's old hatchet man, now shaking up Philadelphia's Scott Paper.

Like his father, he sees no harm in holding grudges, judging by a recent remark: "If you get kicked and don't want to kick someone back, you're a wimp." Sounds like a chip off the old block.

Choi lights up London

Samsung, the Korean industrial group, has appointed Sung-Rai Choi as president and chief executive of the group's European operations, which are to be headquartered in London, writes Paul Taylor.

The European headquarters staff in London is expected to grow to around 500 by the end of the decade, and Choi, 50, will oversee Samsung's rapidly expanding manufacturing and trading operations in Europe.

In October, Samsung announced plans to build a £450m electronics complex at Wynyard, Cleveland, and the Korean group is also considering setting up another UK plant to assemble excavators and other heavy equipment.

Choi says the new plants, and the decision to site its European headquarters in London, underline the Korean group's determination to establish itself as both a British, and European, manufacturer of electronic and other equipment.

Before arriving in London last month, Choi was general manager for corporate planning for Samsung Heavy Industries. His career with Samsung started in 1977 when he joined the group's international trading arm. He was Samsung's branch manager in Nigeria for five years at the end of the 1970s. Then he moved to Paris, where he was branch manager until 1983.

Just before Christmas, Choi marked the establishment of Samsung's European headquarters by switching on a big neon sign in London's Piccadilly Circus.

The Korean group plans to spend £10m over the next seven years on the neon sign, which will be the first in London to display the news as it breaks.

ARCHITECTURE

Listen to the people

Colin Amery gives his advice for the future of architecture


Much architectural attention in London will be on developments along the Thames

Are the mid-1990s going to be a kind of action replay of the early 1980s, with a UK building boom, full employment for the architectural profession and soaring property values just ahead of an election? Will there be a surge of architectural competitions to spend the lucre raised through the national lottery?

Whatever is in store, the architectural profession is already coping with a terrible sense of deja-vu, for the election of a new president of the Royal Institute of British Architects at the end of last year produced a very strange result. Owen Luder, who had previously been president in 1981, surprisingly won again against young Etonian Robin Nicholson, a talented designer and thoughtful architect from the London firm of Edward Cullinan and Partners.

Luder represented the small-time businessmen architects against the suave Londoners who had not noticed that the profession is, in Luder's words, "on the brink of terminal decline." He does not pretend to be an interesting designer. Indeed, some of his ghastly 1970s shopping centres have been condemned as the ugliest buildings of their era. His Southgate shopping centre, in Bath, provoked intense opposition and started the sack of parts of that city. I wonder if he has mellowed in the last decade.

He changed the nature of architectural debate when he was first president by reacting to one of my milder articles by saying that he would like to kick me "in the bloody shins." Some of the architectural profession now have a doughty fighter to defend them.

Luder's view that the big guns of architecture do not need to be defended or promoted by the RIBA is probably right. Towards the end of last year there was an example of the way architects can promote themselves and their own work when the Royal National Theatre on London's South Bank announced plans to improve its public entrance and remove one of the concrete walkways.

This new design is by the youngish firm of Stanton Williams. Sir Denys Lasdun showed his impressive lobbying powers – and also his arrogance – when he said that touching his building would be like "removing the pediment from St Paul's." No such outcry occured when Sir Richard Rogers proposed a kind of glass roller-coaster to cover up the sins of the Hayward Gallery and the Queen Elizabeth Hall.

The best new buildings of 1994 may not be the listed buildings of tomorrow, especially as the secretary of state for national heritage, Stephen Dorrell, is re-examining the question of listing of post-war buildings.

Undoubtedly the architectural and fund-raising triumph of the year was the new Glyndebourne Opera House, designed by Michael and Patty Hopkins, and paid for entirely by private donations. Nicholas Grimshaw's Waterloo terminal for the Eurostar rail service through the Channel Tunnel was voted building of the year, and on the other side of the Channel the extraordinary Hotel du Departement for Marsailles was opened, designed by British architect Will Alsop. Channel 4 Television moved into its Richard Rogers-designed headquarters in Westminster, and an inspiring firm Future Systems built its first house – inevitably in Islington.

It was not so much the built buildings that attracted attention last year as the aspiring creations of numerous architects entering competitions to win funds and backing from the main cultural distributors of lottery money – the Arts Council, the National Heritage Memorial Fund and the Millennium Commission.

No one has yet evolved a good way of ensuring that the new or converted buildings that get the lottery go-ahead will be of any architectural quality. So the real question for 1995 is this: how can so much patronage be administered by so few unqualified and randomly-appointed quangos?

Inevitably, friends of friends, favourites and the strange world of the architectural mafia will control events. Competitions do not help, as they are controlled by their juries and the public have scarcely any say.

One way of broadening the debate would be to spend some of the lottery money on the gradual education of the public about architecture. My view is that you underestimate public opinion at your peril. People outside the profession have ideas that deserve respect, and, as the lottery money is their money (our money), much more consultation is needed.

Publications and television can help, and architects should learn to ask questions and think a little more about what their clients want. The competition system, which always seems like fun at first, does not deliver.

The Tate Gallery, for example, is already backing down in its competition for the conversion of Bankside power station near London's Southwark Bridge into a museum of contemporary art. "We are looking for an architect, not a design," they cry – at one blow destroying the integrity of the competition process.

Much more guidance is needed on how to commission new buildings, and a public consensus is required about the kind of country we want to live in after 2000. If, as few architects do, you speak to people who are not architects, you will discover national concern about low standards of house design and the concrete detritus of the 1960s that still blights so many housing estates and town centres; and an overwhelming anxiety about the survival of the countryside.

Listen to the people of England, all you quangos. Their vision is not your vision. They have an acute and subtle sense of place.

MEDIA FUTURES

Musical moneyspinner

Alice Rawsthorn reports on a more business-like digital jukebox

It is early – well, not *very* early – in the morning and Ricky Adar is feeling rough.

He was out drinking the night before and ran into a bunch of cyber-buffs who, like him and his colleagues at Cerberus Sound & Vision, were interested in pumping out music on the Internet.

"We had a bit of a row," he says. "They were hippies who just flood the 'Net with music. They laid into us because they said we weren't really into technology, but into *product*. Well, what's wrong with that?"

So far, the world of digital music has been occupied by people who, unlike Ricky Adar, think that "product" is a dirty word. Digital music, like so many other aspects of the Internet, has been dominated by anarchists who are interested in working with technology for its own sake, not as a way of making money.

But the Internet is changing, whether the cyber-buffs like it or not, and Ricky Adar is one *of the new wave of would-be* entrepreneurs who see the Internet as a commercial distribution system rather than a playground for cyber-punks.

Adar, 28, is a former engineer and record producer who founded Cerberus to launch a digital jukebox – a "virtual record shop", he calls it – that will enable music fans to log on to its database of over 100 songs through the Internet.

They will choose which piece of music they want to hear and pay for it by credit card. The music will be down-loaded on to their computer within 10 or 15 minutes. Then they can play it back.

Cerberus will run the service from its tiny office in Denmark Street in London (known as Tin Pan Alley in the 1960s, when it was the home of Britain's music-publishing trade), from a standard Compaq personal computer and a piece of its own compression software that ensures, says Adar, that the sound quality is akin to that of compact discs.

Dozens of digital jukeboxes are already in operation from the UK. Some charge the people who use them. Most do not. A few have approached the various music industry authorities about licensing their operations and paying royalties to record companies, musicians, composers and music publishers. So far, none has received licenses, and are thus operating illegally.

The problem is that existing music copyright law does not accommodate digital forms of distribution. This means there is no set formula for calculating the basis on which royalties will be paid.

The major record companies, many of which already use the Internet as a promotional medium, plan to push for the necessary legislative reforms. Once legislation is in place, some will develop their own digital distribution systems as an alternative way of selling music.

Cerberus falls between two camps – the pirates and the *establishment*. It is waiting to go on-line until it has been approved by the authorities, although last month it received the blessing of the Mechanical Copyright Protection Society, which collects a royalty for each recording of a song made on the composer's behalf.

It is still in the throes of discussion with the Performing Right Society, which collects composers' royalties whenever music is broadcast, and Phonographic Performance, which ensures that record companies receive broadcast royalties for master recordings.

Once Cerberus has received the approval of these bodies, Adar plans to get the service started in the hope that he can carve out a commercial niche between the alternative music blasted out for free by the cyber-pirates and the mainstream fare relayed by the big companies.

"What's the point of just pumping out music over the 'Net for nothing so no one gets paid for it?" he asks. "That doesn't help anyone."

Multimedia is in for a rough ride, says Price Waterhouse

By Alan Cane

Companies large and small will have a rough ride before they see returns on their investments in multimedia, and some will not survive, according to forecasts from a leading US technology centre.

Business uses will lag behind consumer applications, it suggests, and confusion over standards may inhibit investment.

"Giant alliances and small start-ups will have difficulty making a profit in most segments of this market for the next few years," says Price Waterhouse, the management consultancy, in its annual *Technology Forecast**.

It defines multimedia as the combining of different forms of electronic data – audio, video, text, graphics and telephony – in ways which result in richer and more powerful communication. About 70 interactive television systems will be in operation in the US and Canada this year.

Although Price Waterhouse expects multimedia to change the face of business information systems, it does not expect it to happen with any speed. "Within the forecast period (two to three years) multimedia systems will move forward but will not be widely deployed in business. The technology and applications for large-scale use will trail some years behind the attention-getting announcements and corporate mergers," it says. For example, consumer games will provide funding for the business use of virtual reality, but few genuine applications of this form of multimedia are expected in the next few years.

"The infrastructure for the information superhighway is not in place and its installation is proving a difficult and costly task," says Michael Katz, managing editor of the *Forecast*. "A huge amount of new software will be required to manage the network, charge users for the services and enable users to access the services efficiently."

The *Forecast* introduces the concept of the "desktop teleputer" – multimedia systems for businesses of all sizes which combine office telephony and computing as well as audio and video. In the short term, however, Price Waterhouse believes that businesses will buy multimedia extensions to add to existing systems as prices fall.

These could include video and audio cards (printed circuit boards). Price Waterhouse says: "The market for sound cards shipped separately is expected to rise dramatically for two more years, but then fall as sound becomes intergated into desk-top systems. There are more than 60 suppliers of sound cards to this marketplace, with Creative Labs' Sound Blaster capturing the largest share".

Standards remain a problem. The *Forecast* says that the existence of many competing standards in some technical areas – and a lack in others – will diffuse the energies of systems and software developers, and help deter business investment in multimedia.

Software and systems developers prefer to work to defined, industry-wide standards which give them the greatest opportunities to sell their products in volume. The forecast says that multimedia software standards that have emerged commercially so far address low-ranking problems of handling the input and output of data, and its storage.

**The Technology Forecast 1995 is an internal document for Price Waterhouse staff and clients.*

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Baxter Int $0.2625
Bowater $0.15
Bristol Water 10.4% Rd Db 2000/02 £5.20
British Sugar 10¾% Rd Db 2013 £5.375
Bulmer (HP) 9½% Cm Pf 4.75p
Do. 8¾% 2nd Pf 4.375p
Bunzl 7% Cv Ln 1995/97 £3.50
Felixstowe Dock & Rlwy Pf Units £3.25
First Debenture Fin 11⅛% Svrty Gtd Db 2018 £5.5625
Hewetson 7% Cm Pf 3.5p
Manchester Ship Canal 3½% Perp 1st Mtg Db £1.75
Do 3½% Perp Db £1.75
Do 4% Perp 1st Mtg Db £2.0
Do 4% 2nd Db £2.0
Do 4% Perp Db £2.0
Mid Kent Water 9⅞% Rd Db 1997/99 £4.9375
Do 12¼% Rd Db 2005 £6.125
Do 12¾% Rd Db 1995 £6.375
Mid-Sussex Water 4% Perp Db £2.0
Do 5% Db £2.5
Do. 11% Rd Db 2012/16 £5.5
North East Water 10.3% Db 1996 £5.15
Portals 6% Pf 2.1p
PSIT 8% Cm Pf 4p
Rights & Issues Inv Tst 10.1951p
Do 5½% Pf 5.5p
South Staffs Water 3½% Perm Db £1.75
Do 4% Perm Db £2.0
Do. 5% Perm Db £2.5
Do. 9¼% Rd Db 1998/2000 £4.625
Do 9% Rd Pf 1998/2000 4.5p
Tops Estates 10¼% 1st Mtg Db 2011/16 £5.125
Unigroup 7¼% Cm Pf 3.625p

■ TOMORROW
Alida 9¼% Cm Pf 2008/13 4.625p
Allied London Props 2.7p
AMEC 1.5p
Amersham Int 4.9p
Anglian Water 5⅝% IL Ln 2008 £3.1288
Appleby Westward 3.2p
Asprey 8¼% Cm Pf 4.125p
Bank of Wales 13½% Sb Ln 1995/97 £3.44
Bardon Cv Pf 3.625p
BAT Inds 8.5p
Betterware 0.85p
BICC 6p
Black Arrow 1p
BM Grp Cv Pf 2.3p
Booker 7.7p
Brent Int 9% Cm Pf 4.5p
Bridon 6% Cm Pf 1.05p
British Aerospace Cv Pf 3.875p
British Empire Sec & Gen Tst 8⅛% Db 2023 £4.0625
Do. 10⅜% Db 2011 £5.1875
British Polythene 9¼% Cm Pf 4.625p
Bunzl 1.8p
Cambridge Water 125p
Do 4% Cons Perp Db £2.0
Do. 10% Rd Db 1996/98 £5.0
Do 13% Rd Db 2004 £6.5
Carlton Comms Cm Pf 3.25p
CI Grp 0.2p
Claremont Garments 4p
Dalgety 13.15p
Dee Valley Water 7⅞% Pf 1996/98 3.9375p
Denmark (Kingdom of) 3½% Ln 1901 £0.485275
Electrocomponents 3.25p
FII Grp 8.75p
Fisons 1.7p
Fleming High Inc Inv Tst 1.1p
Flogas Units IR3.57p
GBE Int 0.5p
Gencor 6% Pf R0.06
Greece (Kingdom of) 5% Ln 1881 25p
Do 5% Ln 1881 Stg Fd 1965 62.5p
Do 5% Ln 1884 25p
Do 5% Ln 1884 Stg Fd 1965 62.5p
Do 4% Monopoly Ln 1887 20p
Do 4% Monopoly Ln 1887 Stg Fd 1965 50p
Do 5% Fd Ln 1893 25p
Do 5% Fd Ln 1893 62.5p
Do 4% Ln 1902 20p
Do 4% Ln 1902 Stg Fd 1965 50p
Greenway 1p
Guardian Royal Exchange 2.85p
Hillsdown 2.2p
Hughes (TJ) 0.8p
Inchcape 6p
Johnson Grp Cleaners Cv Pf 3.75p
Do 9% Pf 3.15p
Joseph (Leopold) 3.4p
Land Securities 6¾% Cv Bd 2002 £67.50
Leo 1 Class A1 *FRN 2035 £1070.27*
Do Class A2 £1658.06
Leo 2 Class A1 FRN 2032 £140.91
Do Class A2 £156.35
Locker (Thomas) 0.2p
Do A N/Vtg 0.2p
Lyles (S) 2.5p
Martin Int 0.45p
McCarthy & Stone 8¾% Cm Pf 2003 6.59246p
MEPC 12% Bd 2006 £600.0
Merchant Retail 8¾% Un Ln 1999/2004 £4.375
Montenegro 5% Govt Ln 1909 50p
Mucklow (A & J) 3.2346p
National Home Loans FRN 1995 $1.98
New South Wales Treasury 11½% Gtd Exch Bd 1999 A$575.0
Next 2.75p
Photo-Me Int 3.3p
Plantation & General Inv 9½% Pf 4.75p
Portugal (Rep of) 3% Ext Debt Ser 1 30p
Do Ser 2 29.85p
Do Ser 3 9.95p
RTZ 3⅜% A Pf 1.6625p
Do 3½% B Pf 1.75p
Rubicon 6% Pf 1.05p
Sabre Lease Mngmt 7¼% Mezzanine Nts 2001 £181.25
Do 5.8% Snr Nts 2001 £1450.0
Sears Roebuck $0.40
SEC 2p
Silentnight 2.75p
South Staffs Water Hldgs 19p
Taylor Nelson 0.3p
TMC PIMBS 2nd Fin Class Iss No 3 Jul 2030 £7087.53
Town Centre Secs 2.6p
TR Far East Inc Tst 1.4p
TSB 12% Sb Bd 2011 £1200.0
Vinten 2.4p
Willis Corroon 1.65p
Wrexham Water 3.6168p
Do N/Vtg 3.5834p
Do. 3½% Cons Db £1.75
XCL Ser A Pf £2.25

■ WEDNESDAY
JANUARY 4
African Dev Bank 11⅛% Ln 2010 £5.5625
Airflow Streamlines 2p
Atreus 0.486p
Banner Homes 0.7p
Barry Wehmiller 4.3p
Bourne End Props 0.5p
Bridgend 0.1p
British Empire Sec & Gen Tst 0.71p
Cedardata 1.05p
Channel 0.55p
Etam 1.95p
Finlay (James) 2p
Five Oaks Invs 7% 2nd Pf 4.9p
Frost 2.7p
Gartmore American Secs 1p
General Accident 10.1p
Do. 8⅞% Irrd Pf 4.4375p
High-Point 0.5p
Jourdan (Thomas) 0.5p
Metropolitan Water East London *Water 3% Db £1.50*
Pittards 0.75p
Plantation & General Invs 1p
Slingsby (HC) 3p
Temple Bar Inv Tst 4.2% Cm Pf 2.1p
Utd Biscuits 5.5p

■ THURSDAY
JANUARY 5
Annuities 2½% £0.625
Annuities 2¾% £0.6875
Bank of China FRN 1998 $29.71
Bankers Inv Tst 4% Perp Db £2.0
Bank of Melbourne FRN 1997 $14.69
Bradford Property Tst 3.2p
Brown (N) 1.35p
Consolidated 2½% £0.625
Cradley 1.15p
Croydon 3½% £1.75
Govett Strategic Inv Tst 4.1p
Great Portland Estates 2.9p
Heath (CE) 5p
Honeysuckle 2p
Land Sec 6.85p
Leeds & Holbeck Bldg Scty Sb FRN 2001 £34915.89
Metropolitan Water Staines Res Joint Cmtee 3% Db £1.50
Nat West Bank 12½% Sb Un Ln 2004 £6.25
Peek 1.05p
Scottish American Inv 1.21p
Sims Food 2p
Staveley Inds 2.3p
Wardle Storeys 12.25p
Westbury 1.9p
WMX Tech $0.15
Yule Catto 11½% Cm Pf 1998/2003 5.75p

■ FRIDAY
JANUARY 6
ACT 1.75p
Adam & Harvey 8.5p
AG 3.25p
Albert Fisher 1.9p
Armour Tst 1.42p
Baird (Wm) 3.55p
Beckman (A) 2.38p
Blue Circle 6¼% Un Ln £3.125
Bridon 1.25p
Browning-Ferris $0.17
Burmah Castrol 10p
Centex $0.05
Cook (Wm) 2.5p
Courtaulds 5% 1st Pf 1.75p
Do 5½% Un Ln 1994/96 £2.75
Friendly Hotels 2.2p
I & S UK Smaller Co's Tst 1p
Majedie Invs 3.25p
Mitsui Fxd Rate Nts 1999 Y400000.0
Do FRN 1999 Y204444.0
Morgan Crucible 5.95p
Do. Cm Pf. 3.75p
Murray Smaller Mkts Tst 1.56p
Premark Int $0.20
Reckitt & Colman 6.95p
River & Mercantile Tst. 2.25p
Smith (WH) 5⅛% Rd Ln £2.5625
Smiths Inds 8.4p
Symonds Eng 0.25p
Time Products 3.25p
Unigate 6.3p
Whitbread 7¾% Un Ln 1996/2000 £3.875
Do 10½% Un Ln 2000/05 £5.25

■ SATURDAY
JANUARY 7
Allied-Lyons Fin 6¾% Gtd Bd 2008 £33.75
F & C Special Utilities Tst 1.54p
Do Units 1.54p
Guaranteed Export Fin 9¾% Gtd Ln 2010 £487.50
Scottish National Tst 2.6p

■ SUNDAY
JANUARY 8
Inter-American Dev Bank 12½% Ln 2003 £6.25

UK COMPANIES

■ TOMORROW
BOARD MEETINGS:
Finals:
Freeport Leisure
Jersey Electricity
London & Clydeside
Torex Hire

■ WEDNESDAY
JANUARY 4
COMPANY MEETINGS:
Prospect Inds., Ferriby Hall, North Ferriby, North Humberside, 10.30

■ THURSDAY
JANUARY 5
COMPANY MEETINGS:
Estates & Agency, Institute of Directors, 116, Pall Mall, S.W., 11.00

BOARD MEETINGS:
Finals:
David Lloyd Leisure
Western Selection
Interims:
Cassidy Brothers
Druck
Vardy (Reg)

■ FRIDAY
JANUARY 6
COMPANY MEETINGS:
MMT Computing, 14, Angel Gate, City Road, *E.C., 2.00*

BOARD MEETINGS:
Interims:
Bailey (CH)
Savills
Scantronic Hldgs

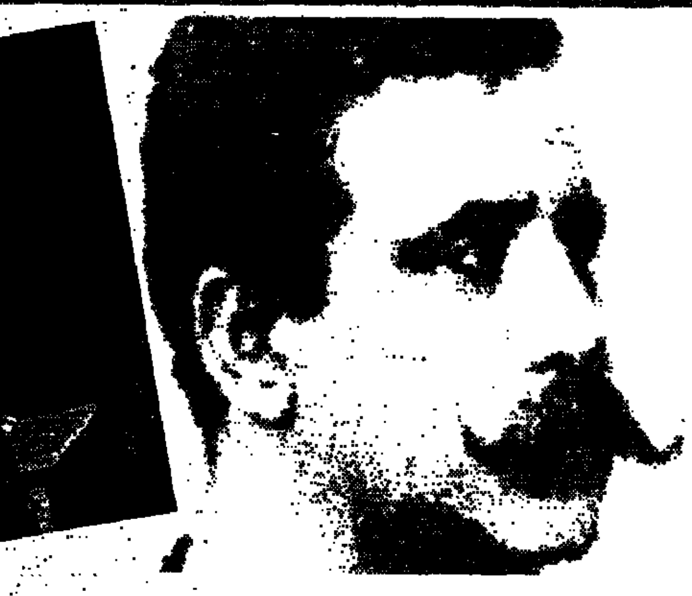
Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

ARTS

OPENINGS

HEIDELBERG
Admirers of German composer Paul Hindemith (1895-1963) (right) are hoping this year's centenary will bring his music back into fashion. A new production of "Neues vom Tage" - Hindemith's opera about bitter marital relationships and a sensation-hungry press - provides a topical curtain-raiser for the anniversary. It opens at Heidelberg's municipal theatre on Sunday.



PALERMO
The opera season opens on Thursday with a rare production of "Zaza", a lyrical comedy by Leoncavallo (left). Toscanini conducted the premiere in 1900, and it has occasionally been revived for the benefit of star sopranos. The driving force behind the Palermo production is veteran conductor Gianandrea Gavazzeni, with his wife Denia in the title role.

LONDON
Winsome Pinnock's "Leave Taking", an exploration of identity and loss in the West Indian community, opens at the Cottesloe in the National Theatre on Wednesday.

BIELEFELD
In 1935, Viktor Ullmann wrote "Der Sturz von Antichrist", an opera about the triumph of art over political tyranny. Ullmann's own fate - he never saw the work performed and was gassed at Auschwitz - seemed to contradict the opera's message. But he will be vindicated on Saturday, when the ever-resourceful Bielefeld city theatre gives the world premiere, in a staging by John Dew.

Monks to punks

Peter Aspden on 1994's best-selling records

Cecilia Bartoli: charmed again

It is highly appropriate that the year should end with those "multi-million selling monks from Silos" dominating the nation's billboards, for the demand in 1994 for music with a religious or spiritual slant showed no sign of slackening.

Little wonder, then, that *Officium*, Jan Garbarek's collaboration with the Hilliard Ensemble, should prove one of the year's most notable successes; the marriage of Garbarek's haunting saxophone playing and the Ensemble's immaculate choral work proved an inspired combination. Anonymous 4's *Love's Illusion*, a collection of 13th century courtly love texts from the Montpellier Codex, was also beautifully sung while John Tavener's *The Akathist of Thanksgiving* and a host of recordings of Russian Orthodox church services prompted a wave of unprecedented musical attention on the religious heritage of the states of the former Soviet Union.

Still with Eastern Europe, the welcome concentration of new Szymanowski recordings included Simon Rattle's ravishing account of the *Stabat Mater*, the *Litany to the Virgin Mary* and the *Third Symphony*. Here was religious music of a very different kind, devout but richly sensual, glowingly played by the City of Birmingham Symphony Orchestra at the peak of its form.

John Eliot Gardiner's cycle of *Beethoven Symphonies*, although by no means the first to be played on period instruments, provided a thrilling re-interpretation of some of the most familiar work in the musical repertoire. Gardiner and the Orchestre Révolutionnaire et Romantique, with the help of some metronomic revisionism, brought back some of the wit and urgency to these monumental works which have all too often drowned in self-importance and pomposity. Another favourite work which benefited from a fresh rendition was Handel's *Messiah*, movingly played by William Christie, Les Arts Florissants and a talented young cast of singers.

The big names in classical music are getting used to being treated like pop stars, but one cannot help feeling that their moment may have come and gone. Certainly *The Three Tenors in Concert 1994* looked and sounded like the over-milking of a good idea. Fortunately, the toothsome threesome are still impressing elsewhere, most notably Plácido Domingo who, in his third recording of *Otello*, conducted by Myung-Whun Chung, gave his most mature account yet of this most demanding of roles; Cheryl Studer was an affecting Desdemona.

Jessye Norman was an overwhelming *Salome* in Seiji Ozawa's powerful version of Strauss's unsettling opera, while Siegfried Jerusalem was a suitably heroic *Lohengrin* in Claudio Abbado's cultured recording with the Vienna Philharmonic. My operatic highlight of the year, however, was Wolfgang Sawallisch's *Die Meistersinger von Nürnberg*, with Bernd Weikl and the ubiquitous Cheryl Studer in impressive form.

Cecilia Bartoli charmed again on *Mozart Portraits*, but am I the only one who wishes she would extend her repertoire, and her voice, just a little? Perhaps it is the over-excitement of seeing the Beatles at the top of the charts again, but one cannot help thinking at the end of the year that British pop is in remarkably good shape: albums by Blur, Suede and Oasis stood out for their verve, originality and desire to work inventively within the context of the three-minute pop song.

Blur's *Parklife* stood firmly in a tradition which stretches back to the Kinks, the Small Faces and the Jam, combining wry, glottal-stopped, state-of-the-nation snapshots of ordinary life ("I'd love to stay here and be normal but it's just so over-rated") with some surprisingly longing melodies. There was more swagger about Oasis in *Definitely Maybe*, all jangly guitars and killer tunes, but perhaps the comparisons with *Revolver* are a little far-fetched. Suede's *Dog Man Star* comes from an altogether different direction: gothic, theatrical but still admirably accessible. They are a very fine trio of albums.

The death of Kurt Cobain was the least surprising but most shocking event of the rock calendar; it is difficult not to see Nirvana's *Unplugged in New York* as a harbinger of things-to-come, which adds to its compelling nature. A man who knows a thing or two about rock casualties is Jeff Buckley, son of Tim, whose debut *Grace* showed great song-writing promise and a wonderful, soaring voice reminiscent of his father's precious instrument.

While Nirvana was mellowing out, that other American giant group REM was moving in the opposite direction: it followed the introspective sophistication of *Automatic for the People* with the muscular, upbeat *Monster*, a move which was not unanimously acclaimed but which gave the band fresh impetus for its forthcoming tour of Europe. If it was chill-out music you were after, albums by Lyle Lovett (*I Love Everybody*), Nanci Griffith (*Flyer*) and Mary-Chapin Carpenter (*Stones in the Road*) were intelligent examples of the genre, while Neil Young's *Sleeps With Angels* found the grizzled veteran in sombre mood.

Finally, the past year has seen a continuation of the growth of compilations and theme albums, perfect fodder if you have the attention span of a sound-bite or the sensitivity of a cartoon character. *Classic Sleepies*, *Classic Weepies*, *Opera to Die For* and *Classical Ecstasy: Exploring the Tingle Factor* were just some of the sillier titles to join their pop equivalents in the record stores; good sense would dictate that there cannot be many more of these to come in 1995, which strikes me as a comforting thought for the new year.

Funding – from famine to feast

Could new wealth mean a death blow for British cultural life? ***Antony Thorncroft*** *reports*

Are the arts in danger of being overwhelmed with cash? The Arts Council's lottery money is piling up in the bank, £15m and rising. Tomorrow the first applications will arrive from arts companies seeking help, and in April the first grants will be distributed. If all goes according to the forecasts of National Lottery organisers Camelot, the arts will eventually receive at least £200m a year, doubling the amount they already get from the government in subsidy.

But who would begrudge them this unexpected windfall? Have not the arts struggled for years, clinging to the wreckage of their brightest plans? Well...

Undoubtedly the arts in the UK have never been over-indulged by government. The extra £5.1m, for a total grant of £191.5m, that Lord Gowrie, the chairman of the Arts Council of England, extracted from the government for 1995-96, still fails to make good the under-funding of recent years. Even Gowrie, an unrepentant monetarist, believes the arts need £250m a year in subsidy to leave all their financial troubles behind.

Yet despite this generally accepted shortfall, the arts in the UK flourish. In the last decade not one major, or even middling, arts company has completely disappeared. The biggest casualty, Kent Opera, went quiet for a time when it lost its council grant but last year was back in a small way. Any entrepreneur thinking of setting up in business could do much worse than examine the arts: compared with the fate of British industry over the past generation the arts are a template for growth and stability.

Even last year, in which the Arts Council suffered its first ever cut in subsidy and many companies developed deficits, the quality of work produced would have been the envy of any other nation. Thanks to organisations like the Royal Court, the National Theatre Studio and the Bush, new playwrights can see their ideas (*My Night With Reg*, *Beautiful Thing*) pass seamlessly from work-in-progress to West End success in months – if it is any good.

Opera is in powerful voice, with acclaimed new productions of old favourites, like Covent Garden's *Traviata*; a critically challenging new *Ring*, also at Covent Garden; a well received new opera, *The Second Mrs Kong* at the brand new Glyndebourne, and a refreshing *Fidelio* from Scottish Opera at the equally spanking new Festival Theatre in Edinburgh.

In dance at the moment over 7,000 tickets for classical ballet are being sold each night in London as two *Nutcrackers* compete with *Cinderella* to charm packed audiences; in music London still finds work for four symphony orchestras, while in the regions the example of the CBSO in building an audience around a charismatic young conductor (Sir Simon Rattle) is being copied by the National Orchestra of Wales, the Bournemouth, and points north. In contemporary art British artists like Damien Hirst and Rachel Whiteread wow them abroad. In their reviews of 1994 the critics have found plenty to chew over. And all this creativity before the lottery money comes on stream.

Of course there is a price to pay. Arts directors spend too many evenings being nice to sponsors and worrying about balancing the books rather than new work; salaries in the arts are pitiful; to make ends meet programming veers towards the bland and the safe.

And there have been casualties – dark nights this month at the Playhouse Salisbury and the Redgrave at Farnham, which are among the 16 regional theatres with worrying financial problems. But the Arts Council has announced a cash package for them and the closures look to be temporary.

With competition from the best television service in the world, and with the lag of the recession affecting consumer expenditure, it is really quite extraordinary that there is still a reasonable audience for the living arts in the UK. It is also remarkable that, given the poor commercial training in the arts industry, the vociferous arts lobby should very rarely point to the main reason why companies get into trouble – not inadequate funding but poor management. It happens often enough in the real world.

And now lottery money. It is intended for capital projects, but improved ticketing systems, more comfortable seats and improved bar facilities must spill over into extra revenue. The council is expecting well over 10,000 applications and is keen to point out that they need not all be in by tomorrow. It will concentrate on helping existing arts companies, large and small, from the Royal Opera House to Teddington Theatre Club, and will expect some matching funding. It wants track records and the certainty of continuity. It is suspicious of new arts ventures, fearing fly-by-nights jumping on the bandwaggon. Its grants will range from £10m to £5,000.

But the wonder of it all is that, in theory, this money will keep flowing, for ever. How long can it be before every theatre, concert hall, art gallery, arts centre in the land is in tip top shape. Five years? Ten? The possibilities are finite: the UK just cannot contain so much hidden artistic talent that its arts framework can expand indefinitely.

It is already accepted that in a few years, perhaps by 2000, the rules governing arts funding will have to be changed, to adapt to the very different world created by the imminent gold rush. At the end of the year 2000 the Millennium Fund is to be wound up, giving each of the other four lottery beneficiaries a quarter of its annual pot of money – an extra £50m or so for the arts. This would be a good time for taking stock.

By then the strains of success will be starting to fray tempers. Who will fund all the new events in the brand new arts houses, and what about the inevitable failures among recipients of council money? Can arts organisations come back for another grant when the rain seeps through again? How will the lines blur between amateur companies and the professionals, and how will the arts cope with populist press reports comparing the inevitable artistic scams which will develop set against closing hospital wards? And can any government maintain the level of annual subsidy when the arts is seen to be so generously supported by the public through betting mania?

Then the calls for lottery money to become revenue grants – or rather to form endowments that can produce annual income – will become vociferous and overwhelming. But before that happens the lottery will totally transform the face of the arts in the UK, first by forcing companies to upgrade their managements in order to cope with unknown quantities of cash, and then, within a decade, by adapting to new patterns of funding.

It is up to the arts to prove that the lottery money can bring added benefit in terms of creativity, building on an already high imaginative base. The public, the majority of which has no great love of the arts, has been passive about government subsidy in the past. People might become restive as they observe new wealth pouring into the arts, especially if it fails to touch their lives. As bishops keep telling us, too much sudden wealth can lead to tears rather than smiles. Are the arts up to the challenge?

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● European Baroque Orchestra: Wieland Kuijken conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5, 8
GALLERIES
Van Gogh Museum Tel: (020) 570 5200
● Odilon Redon: retrospective of the French artist's work with over 160 paintings, etchings and lithographs; to Jan 14
OPERA/BALLET
Het Muziektheater Tel:(020) 551 8922
● L'Italiana in Algeri: by Rossini. Produced by Dario Fo, conducted Alberto Zedda at 8 pm; Jan 13

BERLIN

OPERA/BALLET
Deutsche Oper Tel:(030)3 41 92 49
● Ballet Evening: premiere of works by Debussy, Poulenc and Stravinsky. Conducted by Sebastian Lang-Lessing, choreography by Nacho Duato, Glen Tetley and Harris Mandafounis at 7 pm; Jan 14 (6 pm)
● Der Rosenkavalier: by Strauss. Conductor Jiři Kout, production by Göz Friedrich at 6 pm; Jan 8,
● Zar und Zimmerman: by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 4, 7

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34
● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zsuzsa Misura and baritone Andras Molnar, and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12
● Monnaie Symphony Orchestra: with the Monnaie Choir conducted by Antonio Pappano plays Brahms at 8 pm; Jan 8

LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● LSO New Year Viennese Concerts: London Symphony Orchestra conducted by John Georgiadis plays melodies of the Strauss family and their contemporaries at 7.30 pm; Jan 2
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Queen Elizabeth Hall Tel: (071) 928 8800
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cyndia Sieden plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12

GALLERIES
Hayward Tel: (071) 261 0127
● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes a section on German Expressionists; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET
English National Opera Tel: (071) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14
Festival Hall Tel: (071) 928 8800
● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; to Jan 2 (Not Sun)
Royal Opera House Tel: (071) 340 4000
● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 3, 14
● Othello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13
● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Jan 4 (2 pm)

THEATRE
National, Lyttelton Tel: (071) 928 2252
● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 2, 9, 10 (2.15 pm) . 11
Queen Elizabeth Hall Tel: (071) 928 8800
● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; to Jan 3 (Not Sun)

NEW YORK

GALLERIES
Brooklyn Museum Tel: (718) 638 5000
● Indian Minature Paintings: 80 jewel-like paintings from the 15th -19th century; to Jan 8 (Not Mon)
Metropolitan
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3
● Origins of Impressionism: 175 paintings by Parisian artists of the 1860's; to Jan 8 (Not Mon)
● William de Kooning's Paintings; to Jan 8 (Not Mon)

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Jan 5, 7, 11, 14 (1.30 pm)
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2, 6, 9, 14
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12
● Madama Butterfly: by Puccini at 8 pm; Jan 4, 7, 10, 13
● Peter Grimes: by Britten. English at 8 pm; Jan 3

THEATRE
Richard Rodgers Theatre Tel: (212) 307 4100
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

PARIS

GALLERIES
Grand Palais Tel: (1) 44 13 17 17
● Gustave Caillebotte: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9
● Poussin: 400th anniversary retrospective; to Jan 2
Musée d'Orsay Tel: (1) 45 49 11 11
● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30 pm; to Jan 7

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Euginia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11

GALLERIES
National Gallery Tel: (202) 737 4215
● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm) , 9 (7 pm) , 13
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Jan 2, 8 (2 pm)

THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Misalliance: by Bernard Shaw, directed by Kyle Donnelly; to Jan 8
Shakespeare Tel: (202) 393 2700
● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

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NBC/Super Channel: FT Reports 1230.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Listen with Russia

Raymond Snoddy on educational radio programmes for eastern Europe

Listeners to Radio Russia, the national radio station, have just been told how important it is in healthy democracies to have a well-organised opposition, and of the need to rid themselves of any vestigial feeling that opposition equals subversion.

Later this month, there will be 25 minutes on government in a nation state and how federations and confederations work, before the 22-part documentary series, *Democracy at First Hand*, moves on to topics such as the independence of the judiciary and the role of the media in a non-totalitarian state.

It is hardly the lightest of listening. Yet on past experience, the *Democracy* series is likely to attract an audience of more than 2.5m Russians, keen to get to grips with difficult realities, now that the euphoria of the late 1980s that followed the disintegration of communism has faded.

The series is the latest to be produced by the Marshall Plan of the Mind Trust, chaired by Mr John Tusa, a former managing director of BBC World Service, under the aegis of the Corporation. Mr Tusa came up with the idea of the trust three years ago, as a modern version of the strategy devised by US secretary of state George Marshall to help rebuild Europe after the second world war.

"We always thought and I always hoped that the example of this as a way of transmitting knowledge would be an example that would catch on," says Mr Tusa.

His aim was to bring broadcasters and the business world together to provide "seed corn" knowledge about democracy and market economics, initially to Russia.

The unique broadcasting project went on the air two years ago, with Russia's first daily radio soap opera *Dom 7, Podjezd 4* (*House 7, Entrance 4*). *Dom 7* has introduced audiences of about 5.5m to the problems faced by ordinary Russians in the transition from communism. Its characters include Baba Polya, the elderly babushka (grandmother), Zena, a laboratory scientist, her husband Anatoly, an academic, Yura the drunken plumber and his long-suffering wife, Varya.

In the UK the soap has been christened Archerski or Ambridgegrad after *The Archers*, the long-running British radio soap set in Ambridge which drops didactic agricultural messages into the plot.

With a permanent staff of four in cramped offices in BBC World Service's London headquarters and an annual budget of less than £1.5m a year, the Marshall Plan of the Mind has been turning out a growing range of programmes.

It has included a 29-part series, *The Free Market Society*, that attracted 2.5m listeners and almost 4,000 letters. There is a weekly business programme called *How Business Works*. And more than 100 took part in an essay-writing competition on the subject: "What could entrepreneurs do for Russia today?" Many of the programmes are recorded and used as teaching aids in schools and universities.

Last year, the trust expanded into Ukraine with five television programmes on the theme *How Do We Feed Ourselves*, and a radio series, *Masters of the Land*. These were aimed at the thousands of new private farmers who are growing a disproportionate percentage of Ukraine's food, and also at state farms and collectives in an attempt to help them improve their performance.

The television series, seen by 10 per cent of the population, starred Mr Mykola Sobchuk, chairman of the Agricultural Joint Stock Company in Ustymyvka near Kiev. He interviewed UK farmers about commercial management and his wife Tamara was seen visiting a supermarket.

Already programmes first broadcast on Radio Russia are in demand for rebroadcasting by other stations throughout the former Soviet Union. Many stations take the weekly omnibus version of *Dom 7*.

A key to the trust's success appears to be the fact that the programmes are specially made for their audiences in their own language. Research shows they are not seen as coming from outside or talking down to their audiences.

Now the trust is moving outside the borders of the old Soviet Union for the first time, following a request for another radio soap with a subtle economic message.

"The European Union came to us and said: 'We've seen what you have done with Radio Moscow: can you help with one in Romania?'" says Mr Tusa.

The trust – which receives no money from the BBC – has been mainly funded by £2m from the UK government's Know-How Fund, set up to channel aid and transfer skills to ex-communist countries. The rest of the money has come from business and charitable foundations, such as the Ford Foundation of the US, and the European Union.

The *Democracy* series has been commended by Mr John Major, the UK prime minister, who said at its launch that "democracy is not simply an event – it is a continuous and demanding process".

Mr Tusa is, however, surprised that there has been so little business support for a broadcasting project reaching what may turn out to be the new business elite of Russia in an emerging market. Just £200,0000 would be enough to fund half a major series.

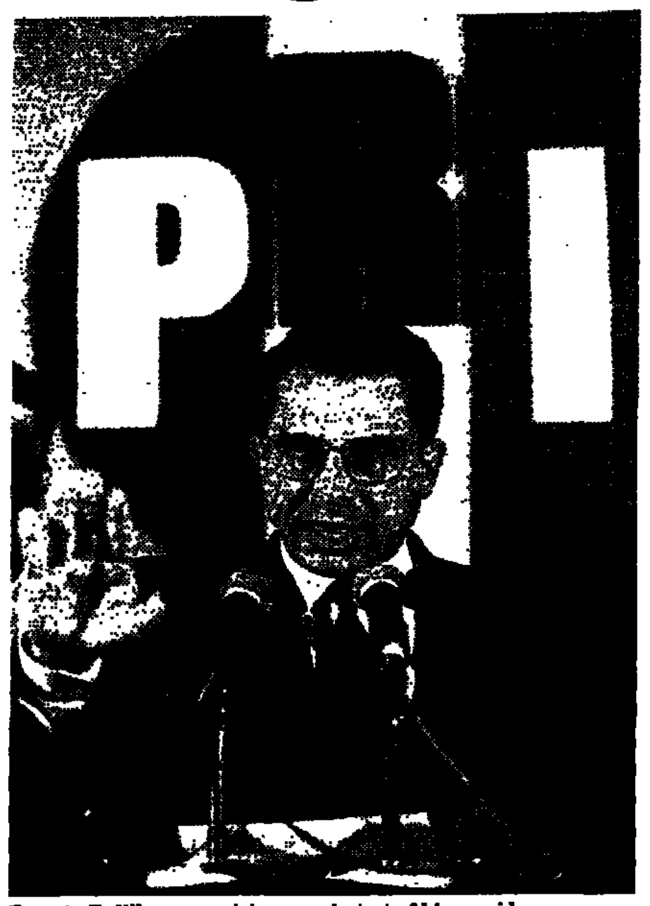
"British business is still very very cautious about Russia, perfectly understandably," says Mr Tusa. "But you would have thought, particularly with something like the weekly business programme, that someone would have found it worthwhile to have their name associated with it."

Mr Tusa believes that, given adequate funding, the concept could be applied in any country going through transition.

"The most important thing is you have to have a willing partner who will put it on their domestic airwaves. It has got to be there in the living room," he adds.

Mexico's currency crisis has weakened President Zedillo's government, says **Stephen Fidler**

That sinking feeling


Ernesto Zedillo: peso crisis an early test of his presidency

Barely a month in office, President Ernesto Zedillo of Mexico will today give what could be the defining speech of his six-year presidential term.

His task is to convince two audiences – foreign investors and the Mexican people – that the financial crisis provoked by last month's surprise devaluation of the peso will not lead to an inflationary spiral.

Failure to win over his audiences would mean more outflows of foreign and Mexican capital, making the task of stabilising an already fragile economy even more difficult. Success could turn Mexico into a thriving export-based economy.

The devaluation of the peso by 32 per cent between December 19 and Friday's close has seriously weakened Mr Zedillo's government at home and damaged foreign investor faith in Mexico. Investors are nursing heavy losses and many are feeling betrayed by an administration that promised continuity and stability.

The crisis has also forcefully underlined that membership of the North American Free Trade Agreement with the US and Canada, which came into force a year ago, is no cure-all for Mexico's economic ills.

The set-back has already led to the resignation of Mr Jaime Serra Puche, finance minister, whose four-week tenure in the post was the shortest of any minister in modern Mexican history.

Following financial crises in 1976, 1982, and 1988, it has also left many Mexicans wondering what condemns their country to such regular financial dislocation.

Although the crisis has dented Mr Zedillo's personal stock, his government appears as much a victim of circumstances and inherited policy as the villain of the piece. With billions of dollars flooding out of the country, the exchange rate policy inherited from the administration of President Carlos Salinas – which allowed for a devaluation of a maximum of only 4 per cent a year as a central plank in the fight against inflation – could not have been defended indefinitely.

While Mr Zedillo took office pledging a continuation of the Salinas position, the new government had, in truth, already decided that the old policy would have to be overhauled in the new year.

"We had a clear idea of how to move towards a much more flexible exchange rate, a type of crawling-peg that would slowly take us to full flexibility, starting in the first quarter of 1995," said a senior government official.

The decision to stick with the Salinas policy through the first weeks of the new administration was to underline continuity in economic strategy. The old strategy looked sustainable for a few months more even though some $15bn of official reserves had been spent between last March and mid-November to support the peso.

The periodic speculative attacks on the currency from late-1993 onwards should have served as a useful early warning signal for the incoming government.

In November 1993 the peso came under massive siege, ahead of the US congressional vote to ratify Nafta. In March, according to government officials, money poured out of Mexico following the assassination of Mr Luis Donaldo Colosio, the ruling Institutional Revolutionary Party's first choice presidential candidate. Amid the political uncertainty in mid-year, there were days when $1bn or more left the country.

In May, when Mr Jorge Carpizo resigned as interior minister, reserves fell by $1.5bn before he was persuaded to reverse his decision. On November 23, when deputy-attorney general Mr Mario Ruiz Massieu accused members of the ruling party of involvement in the September murder of his brother Francisco, a further $1bn fled.

The last straw for the markets came in December when Zapatista guerrillas threatened a bloodbath in the southern state of Chiapas, over a disputed state election result.

Investors took fright. On December 19, an enormous run on the peso forced the government to lower the floor of the currency by 15 per cent. After a day of relative peace, another speculative onslaught forced the government to abandon the new floor and float the peso, an embarrassing reverse.

What made the government so vulnerable was the size of the current account deficit. The deficit had to be financed by raising funds on the international markets which, following the sharp and successive rises in US interest rates from last February, were becoming less accommodating to the needs of Mexico and other "emerging" economies. Mexico's current account deficit was running close to 8 per cent of gross domestic product, high by international standards. In effect, the country was spending $2.2bn a month more in goods and services than it was earning from abroad. With the international markets now less receptive, Mexico's foreign reserves were increasingly being drawn upon to cover some of the current account deficit.

Mr Zedillo now says the current account problem was seriously under-estimated. His new emergency package to be unveiled today, will aim to bring down the current account deficit in 1995 to the more sustainable level of 3½-4 per cent of GDP. The president will announce plans to cut government expenditure by 2 per cent, in a package that will aim to reduce aggregate demand in the economy by 5 per cent. Forecasts for 1995 GDP growth will be cut to 1.5 per cent, compared with more than 4 per cent before the devaluation.

A central aim of the package will be to ensure that wage rises do not eat away at the competitive benefits of the devaluation. "It's essential we are able to have a depreciation of the exchange rate measured in wages. That will change relative prices in the economy, making exports and import substitution extremely profitable," said a senior government official.

The government also hopes that talks at the weekend with business leaders and trade unions will lead to an agreement to limit wage rises to about 7 per cent. The government is expected to forecast that inflation next year could fall to 15 per cent.

Mr Zedillo is also expected to announce a big financial support package from foreign governments and banks that could total more than $10bn above the $7bn already pledged by the US and Canada. This would include a standby credit from international banks led by J.P. Morgan and Citibank of the US, further help from the US and Canada and a central bank line of credit arranged through the Bank for International Settlements in Switzerland.

The government is expected to secure the backing of the International Monetary Fund through a so-called "enhanced surveillance programme", but has decided not to ask for a standby loan. The relatively small amount of money available under such a loan would not, say government officials, be enough to compensate for the domestic political cost of going cap-in-hand to the IMF once more.

In his emergency package, Mr Zedillo will place emphasis on privatisation, including the sale of important parts of the state electricity and oil monopolies, and the entire transport sector. He will also indicate Mexico's readiness to accept for the first time foreign takeovers of Mexican banks. Although he will not announce it today, finance ministry officials are also drawing up contingency plans for bank restructuring if problems in the banking system materialise because of the devaluation.

There is little doubt that Mr Zedillo will today come up with an intellectually rigorous programme to tackle the crisis. "If these guys are good at one thing, it's putting together coherent plans of this sort," said a stockbroker in Mexico. The president is, however, dealing with an elusive commodity – confidence. His failure to win domestic and foreign confidence could doom the best-laid strategy and seriously impair his presidency.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Unrealistic pensions threaten economies

From Ms Estelle James.

Sir, Martin Wolf's column (Economic Eye: "Confronting the old age crisis", December 19), about the World Bank study, *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth*, correctly pointed out that pension systems are in trouble worldwide because of rapidly ageing populations. As Wolf explained, governments cannot keep their promises to the growing number of pensioners without over-burdening the economy, thereby hurting the old and everybody else.

We were therefore surprised that Professor Willem H Buiter suggested that public pension promises should be made binding, without regard to whether they are are sustainable (Letters, December 21). Faced with governments unable to pay public pensions, Prof Buiter would "reform the constitution to make it prohibitively difficult or costly for governments to renege on certain classes of commitments".

Buiter neglects to address the fundamental issue. Governments that attempt to deliver on overly generous pension promises made when populations were young have only two options: they can raise taxes or run deficits. Either ultimately hurts the economy on which everybody depends.

Are existing private pension systems the answer? In most cases, we don't think so. Without proper regulation, private pension funds may be as prone to over-promising and mismanagement as public funds. Moreover, unless private pension saving is mandatory, only upper income groups have access to private pensions in the first place.

For these reasons, we recommend that governments with large, over-burdened public pension plans shift toward leaner plans with flat or means-tested benefits designed to provide a minimum income and alleviate poverty among the old. Wage taxes freed by this reform should go to mandatory savings that are privately managed (to increase returns and reduce the likelihood of government diverting the funds) and publicly regulated (to guard against fraud and inappropriate levels of risk).

Voluntary saving would provide the third leg in what we have termed a "multi-pillar" system. Spreading risk in this way provides greater security for the old than putting nearly all the nest eggs in a single public or private basket.

Pension reform is inevitable. Countries can begin now and reform gradually, thereby minimising social and political fall-out. Or they can wait, in which case dislocations will be much worse. Making pension promises more realistic – and hence reliable – is a central goal of reform. Requiring governments to deliver on current, unrealistic promises would be a poor way to begin.

Estelle James,
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US

Mortgage market 'problem' unfounded

From Mr Tim Frost.

Sir, In his review of the 1994 bear market in bonds ("Not such a safe haven", December 23) John Plender states that "one of the problems of a US-style mortgage market is that the outstanding life of mortgages changes with interest rates". A problem for whom?

If buyers of mortgage securities were forced (as J.P. Morgan calculated) to sell $140bn of 10-year securities to hedge the increasing duration of their portfolios, then it is safe to assume that US mortgage holders have been the beneficiaries, paying lower rates for longer.

Similarly, in the UK the availability of fixed-rate mortgages has enabled the British public to lock in mortgage rates. The hedging of these mortgages in the interest rate swap market, especially in the early part of this year, helped push swap and gilt rates higher. Clearly, access to the derivatives markets, in this case through fixed-rate mortgages, has been beneficial to the British public. Indeed, J.P. Morgan has calculated that, following rises in interest rates, UK fixed-rate mortgage holders have saved themselves some £600m.

The public has demonstrated how derivative markets can be used in successful hedging strategies. This is not a "problem" Mr Plender, this is the free market in action.

Tim Frost,
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Italy's main hurdle is its constitution

From Mr Francesco Ceccato

Sir, Your analysis of Italy's problems ("Force of Destiny", December 23) cites the immediate causes of the demise of the Berlusconi government. You do not, however, acknowledge that its failure and Italy's sorry condition are consequences of the political and economic hangover besetting Italy after a corrupt bonanza in the 1980s, and of a dated and deficient constitution.

It should be remembered that France once suffered similar debacles; these were a thing of the past with de Gaulle's Fifth Republic and a new (two-ballot and majority principle) voting system.

Italy has not shown itself capable of addressing the constitutional concern properly; but it will only be when the political and economic questions are addressed that there will be any hope for change. It is idle to speculate about whether there will be new elections or a new appointment of Mr Berlusconi: with a decrepit constitution and a half-baked electoral system, a "second republic" will remain propaganda used by those who still live on the spoils of the first.

Francesco Ceccato,
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Research strategy's bizarre consequences

From Mr George McKenzie.

Sir, The UK government's research strategy for universities is in a shambles. The most recent Research Assessment Exercise (RAE), designed to create a league table of universities according to their research output ("Research funding to favour commercial use", June 10), is creating bizarre incentives. I write as a social scientist, so the experience of academics in other areas may be different.

- Because departments are evaluated on their contributions to traditional disciplines – for example, economics, physics, English – no recognition will be given to interdisciplinary work which seeks to address policy issues of current concern whether it be unemployment or the explosive growth in derivative securities.
- For the same reason, no recognition will be given to collaborative ventures with industry, the financial sector or government. Yet the Economics and Social Research Council is giving highest priority to funding activities with such direct links. The output from such work will not count unless it has appeared in core publications which by and large are devoted to theoretical rather than applied problems.
- In order to improve their RAE ratings, universities are buying in the publications of established academics with little regard to whether the hired individual will enhance the research (or teaching) activities of existing staff.
- Because the current RAE places emphasis on the quantity of output, academics are rushing to place ISSN and ISBN numbers on all sorts of incomplete or preliminary documents so that they may count as publications.

The end result of the RAE will be to make university departments more inward looking and discipline-based rather than to encourage processes designed to enhance our understanding of contemporary problems.

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FINANCIAL TIMES
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Monday January 2 1995

Absence of war in Ireland

To the inhabitants of Northern Ireland, this Christmas was like no other in the past 25 years. There were no political or sectarian murders. No bombs went off, no constables or soldiers were shot, no innocent civilians were killed. The people of Ulster seem thunderstruck by the silence.

This is the perhaps the most significant gain yet to arise from the process that began on December 15, 1993, when the British and Irish prime ministers issued the "Downing Street declaration". That laboriously crafted document set out the bases upon which the people of Ireland, north and south, may exercise their right to determine their own future.

The list of gains arising from the declaration is lengthening. The recent powerful upsurge of joy at the laying down of arms would not have been possible without the ceasefires themselves, the first called by the IRA, the second by "loyalist" terrorist groups. The violence might not have been halted had it not been for the visible bond of unity between Dublin and London.

The strategy agreed between Mr John Major and Mr Albert Reynolds has held firm, despite a difference of emphasis on day-to-day tactics that could not be avoided, given the different constituencies addressed by the prime minister and his Irish counterpart.

Both Mr Major and Mr Reynolds, who lost his post for domestic reasons, played their hands well. Historians may also credit President Clinton who, whatever his motives, helped coax Sinn Féin into the world of non-violent politics. In Dublin Mr John Bruton, the new Taoiseach, has been quick to demonstrate that he subscribes fully to both the Downing Street Declaration and the agreed methods of dealing with the fractious parties in the six counties.

Economic gains

Not the least of the gains is economic. It is not clear that Northern Ireland needs further injections of publicly managed capital, whether from the EU or the US. Yet it is now better positioned to attract private investment, and increase employment.

None of the above means that peace is secure. The violence might well be resumed in 1995, possibly after Easter, when the IRA is due to convene to review the effects of its cease-fire. Yet the heads of government involved appear to understand that without political momentum there can be no permanent peace.

Within the next few weeks the British and Irish governments should publish a second declaration, setting out the framework within which the northern Ireland parties might agree on new constitutional arrangements. This is a delicate balancing act. Cross-border institutions must reflect nationalist interests within northern Ireland without feeding unionist suspicions that every change leads directly towards a united Ireland. If the Irish government promises a referendum on the republic's aspirations to unity, Britain must alter its own law to remove any doubt about its willingness to accept whichever allegiance the people of Ulster choose.

Relinquish armaments

Before such a document is debated the IRA will be asked to relinquish or "decommission" its armaments. Mr Major is right to insist on this. So far Sinn Féin-IRA has refused, but called for general "demilitarisation". Perhaps a deal can be struck, but not one that includes a complete withdrawal of British troops, not yet. Other difficulties lie ahead: the IRA demands release of its "political" prisoners; the London view is, rightly, that murderers cannot be set loose other than in the normal process of parole.

The greatest dangers are psychological. Mr Bruton's Fine Gael cannot deliver the Irish nationalists; it does not have their trust. His principal coalition partner, Mr Dick Spring of the Labour party, is perhaps neutral in this respect. But Fianna Fail, now in opposition, is the nationalists' preferred party. FF must therefore be consulted as an equal contributor to Irish thinking.

The IRA may have stopped the war because it saw it was getting nowhere. But it has yet to be convinced of the value of travelling the democratic road. Perhaps the obvious popularity of the absence of war among Ulster's ordinary people offers the best hope that the IRA-Sinn Féin ultimately will be so persuaded.

A business resolution

A decade ago, you could find the phrase "the bottom line" in this newspaper roughly twice a week; by 1994, that frequency had tripled. This fact, gleaned from the FT's electronic database, does not just reflect the newspaper's taste in clichés: it also reflects the changing mood of business.

Since the early 1980s, there has been an ever-rising emphasis on profits and profitability as the measure of corporate success. With reason: though an imperfect yardstick, profits are the best measure of the value a company adds to the economy, and hence the best justification of its existence. And without a relentless emphasis on profits, companies would have found the slowdown or recession of the early 1990s as damaging as that of the early 1980s.

But this new year, as the economies of the developed world grow healthily together, there is an emerging awareness that the bottom line is not enough. Companies need to supplement this concern with an eager interest also in the "top line" of their profit and loss statements, the revenue figure.

Nowhere is this more relevant than in Europe, as Professor Gary Hamel of London Business School argued in Friday's FT. "Sitting atop the highest unemployment rate in the developed world," he wrote, European executives must make growth an "overwhelming obsession".

Why have most big European companies grown so slowly in recent years? The over-riding reason, certainly, is the macro-economic environment. Punishingly unpredictable in some countries, grimly deflationary in others, it has proved a relentless enemy of innovation and expansion.

New orthodoxy

There are other reasons, however. One is a sea-change in managers' views of their role. The emphasis on profitability, and a generation of business-school teaching, has produced an austere new orthodoxy: stick to your knitting, focus on your core business, do what you do best.

If this has led managers to steer clear of diversification for its own sake, that has surely been to the good. If it has led them to be unambitious, to streamline rediscovered core businesses rather than push aggressively for higher sales, then it is a pity. With Europe's markets growing once more, it is time for managers, freed from the short-term pressures of survival, to set more ambitious sales targets.

From many of Europe's big-company managers, though, that thought will provoke only a hollow laugh. The recession may be over, but competition remains fierce. The single market is ending the days of safe domestic sales; competitors from Asia are ever more aggressive; eastern Europe provides low-cost products of increasing quality. Against such a background, how can managers hope to be more ambitious?

Imaginative leaps

One answer surely lies in the companies singled out by Prof Hamel as examples of successful European growth: Swatch, Nokia, Virgin Atlantic, International Service Systems. All have built their success on genuine leaps of imagination and innovation: in product design, engineering, service or distribution. Such leaps are open to any company, large or small.

A second answer is that, no matter how hard they work their imaginations, many big companies will find it hard to protect market share against rising competition. For such companies, there is no point in generating higher sales artificially, through misguided diversification or expensive, ill-judged takeovers. For Europe as a whole, a growing part of the burden of growth and innovation must be carried by smaller companies, as in the US.

Yet smaller European companies often find it hard to expand beyond a few dozen employees. Barriers to corporate enterprise, it has been argued, are at least as great a drag on Europe's growth prospects as labour market rigidities, the subject of recent concern.

A new year's resolution for European governments, therefore, might be to ease small businesses' burden of regulation and compliance. And with the prospect for steady, non-inflationary economic growth as good as at any time since the 1950s and 1960s, it is time for companies, large and small, to rediscover the optimism, ambition – and imagination – which marked those decades.

Way of the world in '95

After a number of economic and political surprises in 1994, **FT writers** forecast the events that are likely to shape the world over the next 12 months

First of all, how well did the prophecies of FT writers fare last year?

Martin Wolf was right in thinking the European exchange rate mechanism would not be put back into narrow bands, but wrong in predicting that the UK base rate of interest would trough at 4-4½ per cent.

John Plender wrote that "a big rise in US short-term interest rates could precipitate the Crash of '94". There was a global crash but, unexpectedly, in bond rather than equity markets.

Robert Thomson thought, too pessimistically, that the Japanese economy would "probably not" recover, while Alexander Nicoll believed that the Hong Kong economy would "march on for the time being". It did.

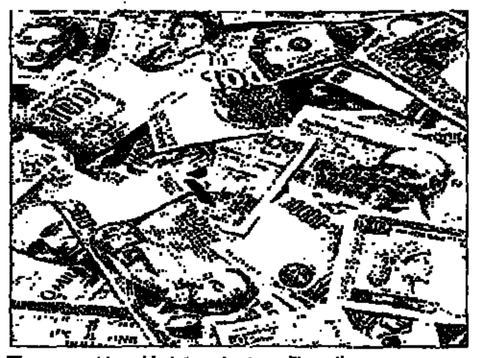
Lionel Barber said Norway would be the shakiest of the four Nordic applicants for membership of the European Union. But neither Belgium's Jean-Luc Dehaene nor Luxembourg's Jacques Santer appeared on his list of possible successors to Jacques Delors.

Meanwhile, John Lloyd was bearish on the prospects for Vladimir Zhirinovsky, and Edward Mortimer on those for an overall peace in the former Yugoslavia. In contrast, Stephen Fidler was bullish on Fidel Castro's ability to remain Cuba's leader.

Philip Stephens believed the Conservative party was showing signs of remembering it was the party of government, but covered himself by writing: "The lesson of this government has never been to assume the recent past is a guide to the near future."

Finally, Jurek Martin thought the odds that President Clinton would succeed with healthcare were "barely in his favour". He failed, anyway.


With a bit of luck London and Dublin should make some headway


The upward trend in interest rates will continue

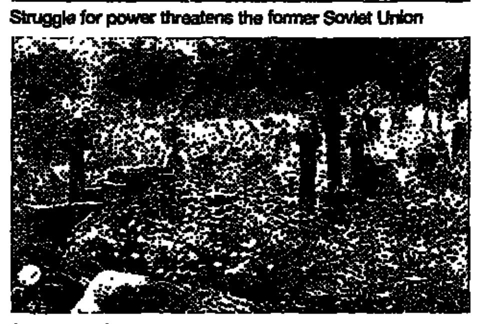

Tokyo may not be able to resist a Wall Street crash


A more sober economic assessment is likely – with or without Deng


John Major's standing in the opinion polls can hardly get any worse


Struggle for power threatens the former Soviet Union


Clinton's tax cuts should please Republicans and middle America


A cure for Aids remains elusive

How much will global interest rates rise?

Martin Wolf writes: Given the strong recovery and disappearance of excess capacity, short-term interest rates may rise by as much as 2-3 percentage points in the US this year. For similar reasons, the German discount rate could also rise by 1-2 percentage points over the year. Partly because of the effects on France, Bundesbank action will probably be delayed until after the French presidential elections. Italian short-term rates are quite high enough, but may be forced still higher by political uncertainties and the public debt overhang.

Japan's short-term rates seem likely to rise by a percentage point, or so, simply because they are now so low. There would be little justification for further interest rate rises in the UK if economic growth were to ease to below 3 per cent, as seems quite likely. Given the Bank of England's nervousness, however, base rate at 6½-7¼ per cent (up from 6¼ per cent today) looks plausible for the end of 1995.

Will equity markets collapse?

John Plender writes: The risk of a synchronised global equity market collapse is real – a delayed response, in effect, to the 1994 bond market collapse.

US equities have been overvalued on fundamental criteria for years, partly because the system has been awash with liquidity. The risk now lies in the other direction. Excessive tightening may be required to meet the Federal Reserve's target for lower growth.

The biggest victims outside the US will be the emerging markets. Indeed, Mexico is an early casualty of Fed policy. In due course the UK equity market will feel the pressure, too.The joker is Tokyo, overvalued on fundamentals and independent-minded of late. Could it resist a Wall Street crash? My guess is no.

Will there be a takeover boom?

Martin Dickson writes: There already is a takeover boom in the US, where 1994 has been the strongest year for bid activity since the late 1980s. This year is likely to see a sharp upturn in European takeovers, particularly in the UK, where economic recovery is more advanced than on the Continent.

Many of the forces behind the US takeover boom are starting to be replicated in Europe: economies are recovering from recession and businesses are changing their focus from cost-cutting to growth, if necessary by acquisition. Companies have stronger balance sheets and more cash available to fund bids, while banks are once more keen to finance takeovers.

The fall in many equity markets in 1994 amid recovering corporate profits, also means that targets look cheaper than 12 months ago.

Will anyone make money out of multimedia?

Raymond Snoddy writes: The multimedia industry was memorably described recently by a senior executive from the largest US cable operator, TCI of Denver, as "the fastest growing zero billion dollar business in the world". Yet amid all the talk of superhighways, video-on-demand, the Internet and cyberspace, one potential winner and source of profit is emerging to go alongside old-fashioned broadcast television and video: the CD-Rom.

1995 could be the year of the CD-Rom both for entertainment and education. Already about one-third of US homes has a personal computer and CD-Rom capability is increasingly standard. CD-Roms, at the moment a $1bn-a-year business in the US, could be a $6bn business within the next few years. This year Europe will really start to follow, although from a much lower base.

CD-Roms may not be as exciting as superhighways. But, as one huge multinational survey on multimedia concluded, "there is no identifiable set of consumer services or revenue streams which will justify the infrastructure cost of the information superhighway either in the US or in Europe".

Will a cure be found for Aids?

Clive Cookson writes: After 10 years of research costing billions of dollars, the treatments available can do little more than fend off symptoms for a few months.

Yet there have recently been some exciting developments. Discoveries within the past two months include:

- The structure of a significant enzyme, called HIV integrase, which is present in the Aids virus but not in human cells. This is a promising target for new anti-HIV drugs.
- A group of prostitutes in the Gambia, whose immune systems have produced "killer cells" and eradicated all traces of virus from their blood. They could be an important clue to developing vaccines against HIV infection.
- Clinical proof that combinations of two or more anti-HIV drugs have a more powerful and long-lasting effect than any one drug.

Such discoveries are raising hopes among Aids researchers that 1995 will see a breakthrough. This could either be a treatment that works far better than AZT, today's standard Aids drug, or the first HIV vaccine, or both. All the same, no one is talking about a "cure" that will eradicate the virus from the bloodstream of anyone who is infected.

Will John Major survive?

Philip Stephens writes: Yes, John Major will hold on in Downing Street even if the Conservative party continues to disintegrate around him. The Tory MPs determined to oust the prime minister have nowhere else to go. The pro-European Kenneth Clarke is a far more dangerous enemy to the Europhobes who want Major out. So too is Michael Heseltine, whose passion for Europe is matched only by his skill in persuading the Tory right of his uncompromising patriotism. And sooner or later the voters are going to notice the economic recovery.

In those circumstances, Major's standing in the opinion polls can hardly get any worse. There is one caveat: the Tory party must begin to recover its senses, while Labour's Tony Blair continues to steal its clothes and supporters.

What will happen in N Ireland?

Edward Mortimer writes: There may with luck be some progress towards a constitutional settlement, but it is most unlikely to reach fruition within 1995. One year after the Downing Street Declaration, and four months after the IRA ceasefire, London and Dublin have still not produced their "framework document" for talks.

The talks themselves, involving the parties within Northern Ireland, will be hard to start, let alone finish. Mr John Hume's SDLP (the main Irish nationalist party in the north) will be reluctant to start without Sinn Féin at the table, while unionists will refuse to sit down with Sinn Féin unless the IRA first hands in its weapons.

Sinn Féin, for its part, argues that "demilitarisation" (ie, withdrawal of British troops and virtual abolition of the Royal Ulster Constabulary, in parallel with IRA disarmament) should be part of the agenda. So far the IRA has observed the ceasefire with impressive discipline. But the longer the political process drags on without dramatic British concessions, the greater the danger that "rogue elements" will resume violence, with or without the leadership's secret blessing.

What will the EU achieve in 1995?

David Marsh writes: The EU will make headway in implementing "single market" legislation not yet fully effective, such as liberalisation of public procurement.

Abolition of passport controls will finally become a reality on most Continental EU borders. Progress in opening up previously "closed" sectors – energy, telecommunications and postal services – will, however, remain slow.

The admission of Austria, Finland and Sweden will add to momentum for "widening" rather than "deepening" EU integration. But plans to bring in central and eastern Europe by the year 2000 will be bogged down in bickering over the EU's budget.

Under President Edouard Balladur, likely victor of the presidential elections, France will blunt Chancellor Helmut Kohl's drive for a "federal" Europe. During its six-monthly EU presidency, which started yesterday, France will drop its resistance to the Europol police co-operation agency, desired by Bonn to strengthen the drive against organised crime. But there will be little meeting of Franco-German minds on the steps towards political union that Kohl says he wants decided at the 1996 inter-governmental conference.

Spain, which takes the EU chair in the second half, will announce proposals for stronger links to the Mediterranean and North Africa, as a counterweight to the EU's planned eastwards expansion. However, since Germany is now looking firmly eastwards, it will be an uneasy balancing act.

The EU will finish 1995 still more aware of its limitations than in 1994, especially as Franco-German disagreement on economic and monetary union will come nearer the surface.

How much of the Republican "contract with America" will pass?

Jurek Martin writes: Middle-class tax cuts are certain, with President Clinton already signed up; the question is how much, but $100bn is a round figure close enough to Republican minima.

Welfare reform is probable, because it also is bipartisan, but the devil will be in the details. The balanced budget amendment stands a fair chance, a presidential line item veto a better one (with Mr Clinton again in favour).

Bet against an amendment setting term limits for Congress, which too many senators from both parties dislike and on which a Supreme Court test case ruling is due in early summer. Defence spending might go up a bit. Abolishing government departments (education, energy, etc) is too big to chew this year, but relieving federal red tape will get a big push.

What might life be like after Deng Xiaoping?

Tony Walker writes: Most assumptions about China in 1995 are built around Deng's demise. China's new collective leadership would inherit an economy growing at more than 10 per cent and inflation remaining high at about 20 per cent. The emphasis would be on unity, but leadership tensions would almost certainly develop.

While China's extraordinary economic development will continue to grip the imagination of international business, a more sober appreciation of the risks and rewards is likely this year – with or without Deng. Chinese leaders pray for a soft economic landing. More likely is a bumpy road ahead, economically and politically.

Will Japan's coalition survive?

William Dawkins writes: Japan's three-party coalition of conservatives and socialists is likely to see defections, but the remnants might hang on to power.

More than half of the Social Democratic party, second largest member of the alliance, is threatening to walk out. Would-be defectors are angry with Mr Tomiichi Murayama, prime minister and party leader, for giving up most of the Socialists' policies to win the backing of the Liberal Democratic party, the dominant coalition member. Meanwhile, the loyalty of the smallest alliance partner, the New Harbinger party, has been shaken by policy snubs from the LDP.

The LDP's popularity will be tested in three elections this year, for town mayors and prefectural governors in April, and half of the upper house of parliament in July. It is likely to do well on the strength of a recent poll showing nearly 45 per cent support for the government. But the Socialists will be hammered for abandoning their promises.

Would the LDP be able to hold on to power without its unreliable partners? That depends on the performance of the new opposition party, the result of a merger of the nine opposition groups, with 178 seats in the lower house.

Just a few weeks after the December 10 launch of a dull party manifesto, it is sinking in the polls, with a mere 14 per cent support rating. Nearly half of the electorate could not care less. A record 47 per cent of voters told a recent poll that they support no political party.

Will democracy take root in the ex-Soviet Union?

John Lloyd writes: The claim nearly all post-Soviet societies have made is that they will become "normal" states; the reality is that the conventional bases of citizenship lack institutional forms.

The response to the collapse of communism has been a fragmentation of society and a search for security either in tribes, religions and ethnicities, or in companies and mafias. The question is whether the institutional forms of the market and of pluralism, which exist everywhere, will acquire content and popular support, before the nations left by the Soviet collapse fragment into a series of struggles for power, territory and wealth. My guess – not forecast – is still yes, but a much less confident yes than it was.

FINANCIAL TIMES
Monday January 2 1995

Contest may hinder leadership of enlarged union

France takes EU helm amid presidential race

By John Ridding in Paris

France took the helm of the European Union for six months yesterday amid worries that the race to succeed President François Mitterrand might complicate the task, just as the Union has expanded from 12 to 15 members.

Using his 14th and final new year's address to buttress French support for European integration, Mr Mitterrand urged his country to support the process, which has been increasingly questioned by some political opponents on the right. "Never separate the greatness of France from the construction of Europe", he said.

However, the contest to succeed President Mitterrand, whose second seven-year term ends in May, might hinder French leadership of the enlarged EU. One EU diplomat said: "There will be a lot of distractions, some fierce debate about Europe, and the risk of paralysis in day-to-day business."

Speaking at the weekend, Mr Mitterrand appeared determined to complete his second term, despite his long battle against cancer. But the possibility that he may be forced to step down prematurely has fuelled the competition between potential successors.

Mr Edouard Balladur, the prime minister and current favourite in the polls, is expected to announce his candidacy within the next few weeks. Mr Jacques Chirac, a fellow Gaullist, has already announced his candidacy. The two-round poll is due in April and May.

The pace and extent of European integration will be a key issue in the election. Mr Chirac has made overtures to the large Euro-sceptic minority in the Gaullist RPR party, pushing Mr Balladur to distance himself from a federalist vision of Europe. Other possible right-wing candidates, such as Mr Philippe de Villiers, are strongly opposed to the Maastricht treaty on European union.

French officials reject concerns that political wrangling will undermine its presidency of the EU and insist it will be able to implement its programme. Details of the French agenda are expected to be laid out at the European parliament in Strasbourg later this month. But Mr Balladur has already said his top priority is to make EU foreign and security policy more effective, and to work towards the creation of a European army.

After the Christmas hijacking of an Air France airliner by Islamic extremists and the escalation of the Algeria crisis, France is also expected to press its European partners to increase aid and support for the Mediterranean region. In so doing, it is seeking to offset the eastward push in the EU, championed by Germany.

Mr Alain Lamassoure, France's European affairs minister, said job creation would be central to the French presidency.

President Mitterrand has promised that France will complete an agreement on Europol, a European police agency, in time for the EU summit in Cannes at the end of June. The project, strongly backed by Germany, met resistance from within the French government, notably from Mr Charles Pasqua, the interior minister.

Poles adopt a slimmer zloty amid confidence on inflation

By Christopher Bobinski in Warsaw

Banking staff in Poland began removing noughts from zloty bank accounts yesterday following the country's revalorisation of its currency.

The new zloty is equivalent to 10,000 old zlotys, with one US dollar now buying about 2.4 zlotys instead of 24,000.

Poles earning a monthly wage of 5m zlotys will now get 500 new zlotys. The new notes are denominated in 10, 20 and 50 zlotys. Higher-value notes will be introduced later in the year.

The revalorisation had been planned for several years, but the decision to enact it now signals government confidence that the double-digit annual inflation of the past few years will fall to a single figure by 1997. Next year the rate of price increases is forecast to fall to 17 per cent from this year's rate of 29 per cent.

Poland's cent, the grosz, is also reappearing after almost a generation of disuse, having been swept away by inflation in the 1980s. Vendors of coin counting machines and purses are already reporting a mini boom. Officials at the National Bank of Poland believe the reform will make financial operations more efficient. The coins and the new zloty notes will come as a relief for those who have found having to deal in millions and billions a trial. Taxi meters, petrol pumps, cash registers and most pocket calculators have been unable to handle big figures, so the missing zeroes had to be added mentally.

The government ran a television publicity campaign to reassure people that their new money would be worth exactly the same as the old. But opinion polls have shown widespread fears that traders and suppliers of services will use the chance to round up prices.

Many Poles also fear confusion because the old notes will remain in use for two years alongside the new. Surveys show that pensioners view the change with trepidation. They remember the currency exchange in the early 1950s wrought by the Communists which wiped out the savings of many at a blow.

In response Ms Hanna Gronkiewicz Waltz, head of the National Bank of Poland, the central bank, has appeared on television to assure people that they will not suffer any losses as a result of the move.

Mr Tim Heaton of Coopers and Lybrand in Warsaw says the revalorisation will be welcomed by accountants although the first month is expected to be difficult. Book-keepers will have one set of figures on their December invoices and will have to do the January books in the new currency.

The new notes, printed by De La Rue in the UK, carry images of medieval monarchs and are a far cry from the industrial landscapes and farmgirls which adorned money in the early Communist times. The writers, artists and national heroes on the current notes will disappear over the next two years when both sets of notes will remain in circulation.

The new money was to have carried pictures of Polish cities. But that print run, ordered in Germany, had to be pulped when the central bank decided that anti-forgery devices on the notes were inadequate.

Russia claims troops control Grozny

Continued from Page 1

Mr Yeltsin's support among liberal deputies in the Duma, the lower house of parliament. Russia's Choice, the biggest parliamentary faction, is discussing whether to withdraw its four representatives from the government.

Economists fear that the cost of resolving the Chechen crisis may jeopardise Russia's 1995 budget plans, undermining critically needed support from the International Monetary Fund. Mr Yevgeny Yasin, the economics minister, yesterday estimated the cost of restoring the Chechen economy at Rbs2,500bn to Rbs3,000bn ($4,452bn).

Value of pension funds in Britain falls 4%

By Norma Cohen in London

UK pension funds lost 4 per cent of their market value in 1994, their second worst performance in 20 years, according to a study released yesterday.

The results collected by WM company, the performance measurements service, show that last year was also only the second since 1975 that UK pension funds gave negative returns. In 1990, they lost just over 10 per cent of their market value.

The losses come as UK pension schemes are exhausting the large surpluses established from better-than-expected investment returns over the past decade. However, because most pension schemes are valued by the cash flow they produce, rather than market value, last year's performance is unlikely to force companies to add cash to their schemes.

The data also show that, for the first time in several years, pension funds have increased investment in UK bonds to boost liquidity. Mr Peter Worrington, director of WM, said the move reflected the falling proportion of active contributing members to the average scheme. "A number of schemes have taken out separate bond portfolios just for their current pension liability."

Schemes with large numbers of members drawing pensions need more assets in bonds to ensure sufficient cash flow. The average fund held 5 per cent of its assets in bonds at the end of 1994, up from 4 per cent at the end of 1993. WM said that increase reflected net cash bond purchases of roughly £4.5bn ($7bn).

The rise in investment in bonds comes at the expense of UK equities which fell 2 per cent to 54 per cent of the average pension fund's investment pool. Mr Worrington said the move to bonds was striking because they produced negative returns of 10 per cent in 1994 – the second worst-performing investment.

The worst performing assets were equities of companies based in the Pacific basin (except Japan), which had negative returns of 16.4 per cent in 1994. UK equity investments by pension funds earned negative returns of 5.8 per cent in line with the FT All Share Index.

Overseas equities, which make up 24 per cent of the average UK pension portfolio, had negative returns of 1.6 per cent – but were boosted by investments in Japanese equities, the best performing asset class of 1994, earning returns of 16.7 per cent.

Overseas bonds had negative returns of 16.4 per cent. UK property continued to rise in value, proving to be one of the few classes to provide positive returns.

Investments in continental Europe gave a return of 0.3 per cent. Cash returned 3.9 per cent.

Letters, Page 10

THE LEX COLUMN

M&A on the move

This year looks like being a bumper one for mergers and acquisitions. *Even if the US takeover boom of the* past two years is merely maintained, the level of activity will be high. But Europe could be swept up in corporate match-making this year too. The recovery of the region's economies is giving its companies strong enough balance sheets to take part. Activity is already picking up in the UK with several large bids announced in the last quarter of 1994. Continental European companies will probably tread more gingerly: partly because of the absence of a takeover culture and partly, in Italy and France at any rate, because of election uncertainty.

The current wave of US takeovers is not merely cyclical. It is prompted mainly by the need to restructure industries in response to technological advances, deregulation, globalisation and cutbacks in government spending. This explains the high degree of M&A concentration in a few industries. The profusion of multimedia and financial *services deals is being driven mainly* by changing technology, deregulation and globalisation; public spending controls have been the main factor behind defence and healthcare mergers though globalisation is also important. The same forces are in operation in Europe.

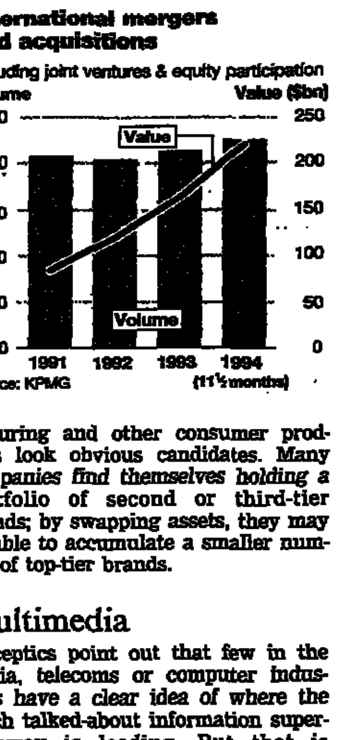
A further trend is the breaking up of conglomerates. Companies such as Kodak, Nokia, Volvo and even, to some extent, ITT and Daimler Benz are embracing the gospel of sharper focus. This trend, which has clearly a long way to go, will spawn much M&A activity. Not only is one company's divestiture usually another's acquisition; the cash received from disposing a peripheral business is likely to be deployed building up the core.

The pattern of deals in 1995 will be different in several industries. In defence, following Lockheed/Martin Marietta and Northrop/Grumman, much of the US restructuring is complete. How quickly Europe follows suit depends largely on whether politicians are prepared to pool sovereignty. Meanwhile, in healthcare, the recent trend for drugs companies to buy pharmacy benefit managers has run its course: the logic of doing so is increasingly questioned and there are few left. This year may see more straightforward mergers in the fragmented global pharmaceuticals industry as a way of removing duplication, *especially in distribution channels.*

M&A activity may also spread into other industries in 1995. Food manufacturing and other consumer products look obvious candidates. Many *companies find themselves holding a* portfolio of second or third-tier brands; by swapping assets, they may be able to accumulate a smaller number of top-tier brands.

International mergers and acquisitions

Including joint ventures & equity participation



Source: KPMG

Multimedia

Sceptics point out that few in the media, telecoms or computer industries have a clear idea of where the much talked-about information superhighway is leading. But that is unlikely to slow down the frenzy of dealmaking. In a period of flux, even uncertain companies will seek to hedge their bets through alliances or acquisitions. Further consolidation within the media, telecoms and computer sectors, and deals that redefine the boundaries of the three industries, can be expected.

Recently formed international telecoms alliances will probably be extended as monopolistic European markets are opened to competition. Some of these may eventually be converted into full-scale mergers. Following the difficulties with its Mercury Communications subsidiary, unallied Cable & Wireless may be ripe for either a break-up or takeover.

The UK and some other European countries could follow the US in consolidating their cable television industries so that clusters of local networks can enjoy economies of scale. The restructuring of the US telecoms industry would gather pace if Congress passes promised legislation removing restrictions on local, long-distance and cable companies invading each others' markets. Even *without a new bill, the trend of building* infrastructures capable of carrying voice, video and wireless services will continue. Mergers between Baby Bells and cable companies – or even two Baby Bells – may be contemplated. The big unanswered question is the extent to which content and distribution should be married. Investors are clearly sceptical of extreme versions, such as a Bell company's owning a Hollywood studio – though such is the glamour of films that one cannot completely rule out such a move. But there are borderline cases. Does it make sense to combine a broadcasting network with a Hollywood studio? Both NBC and CBS are still available if buyers are prepared to pay enough.

Similarly, the provision of on-line services such as home banking and home shopping seems to require either content providers straying into distribution or vice versa. Microsoft's sale *of 20 per cent of its Microsoft Network* to cable group TCI and AT&T's purchase of the Ziff Interchange Online Network look like the early moves in a battle for domination.

Financial services

Information technology has reduced the need for expensive retail banking branch networks. Deregulation in many countries is increasingly allowing rationalisation. The US has already seen much consolidation, but the trend could gather pace this year as limits on interstate banking are removed. Further restructuring of Italy's banking industry is likely following the bid for Credito Romagnolo. And the pressure on the UK's building societies has intensified after the Halifax/Leeds and Lloyds/Cheltenham & Gloucester deals.

The failure of last year's Morgan Stanley/S.G. Warburg merger talks removes the urgency for copycat deals in the investment banking industry. But the logic behind the discussions remains alluring: corporations and investors increasingly need investment banks capable of channelling capital flows and managing deals on a global scale.

A single big acquisition could still lead to a complete restructuring of the industry, with the activity concentrated in the US and UK. One likely trigger would be the abolition of the US Glass-Steagall Act, as promised by the new Congressional leaders. If the limits on commercial banks' operations in securities markets are removed, the likes of Deutsche Bank *and UBS as well as a few US banks* will be tempted to buy a presence on Wall Street.

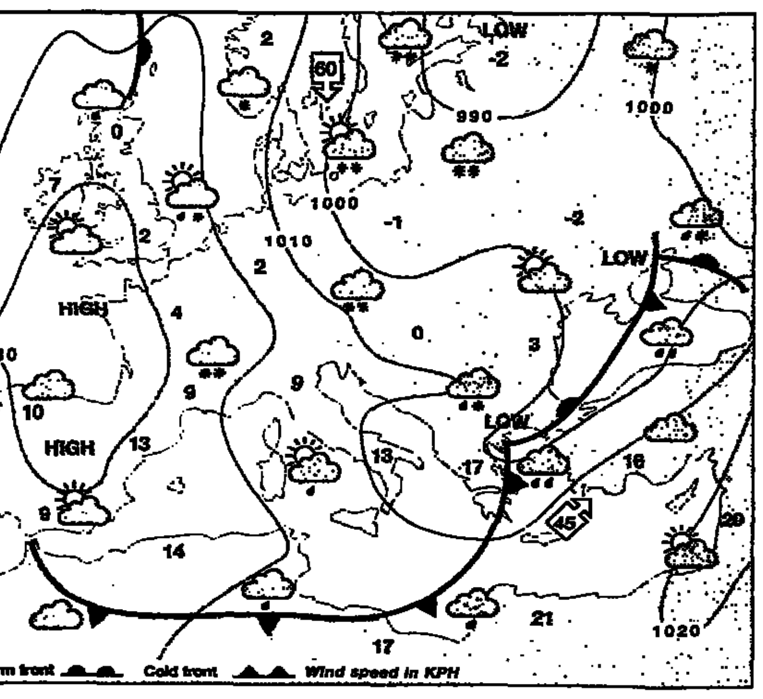
FT WEATHER GUIDE

Europe today

High pressure building over the Gulf of Biscay will promote light winds and generally fine conditions in much of Spain, western France and the British isles. Arctic air will arrive over Scandinavia, Denmark and Germany. There will be many wintry showers with hail, sleet or even snow along the Baltic seaboard of Sweden, northern Poland, the *Low Countries and southern Germany. A lot* of snow is expected along the northern slopes of the Alps. Temperatures will be near or below freezing in these regions. Extensive cloud and outbreaks of light snow will cover much of Finland and western Russia. An *active frontal disturbance will trigger* scattered showers from northern Africa to southern Greece. The Black Sea region will have a lot of rain.

Five-day forecast

The surge of wintry air over continental Europe will slowly but steadily move east. The boundary between retreating frigid air and the milder oceanic air mass will enter the North Sea countries, raising temperatures to above freezing.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	23
Accra	fair	31
Algiers	cloudy	14
Amsterdam	snow	6
Athens	fair	19
Atlanta	fair	7
B. Aires	cloudy	33
B.ham	fair	2
Bangkok	fair	33
Barcelona	fair	12
Beijing	fair	3
Belfast	cloudy	4
Belgrade	fair	1
Berlin	snow	1
Bermuda	shower	18
Bogota	fair	20
Bombay	fair	32
Brussels	hail	4
Budapest	cloudy	2
C.hagen	fair	1
Cairo	sun	20
Cape Town	sun	25
Caracas	fair	28
Cardiff	fair	4
Casablanca	cloudy	19
Chicago	fair	-4
Cologne	snow	4
Dakar	fair	26
Dallas	fair	9
Delhi	sun	21
Dubai	sun	23
Dublin	cloudy	5
Dubrovnik	shower	11
Edinburgh	fair	2
Faro	fair	17
Frankfurt	snow	3
Geneva	snow	0
Gibraltar	cloudy	16
Glasgow	drzzl	3
Hamburg	fair	1
Helsinki	cloudy	0
Hong Kong	cloudy	23
Honolulu	fair	27
Istanbul	rain	13
Jakarta	shower	30
Jersey	fair	0
Karachi	fair	26
Kuwait	fair	18
L. Angeles	fair	15
Las Palmas	fair	23
Lima	cloudy	27
Lisbon	fair	12
London	fair	3
Lux.bourg	snow	1
Lyon	snow	-1
Madeira	cloudy	21
Madrid	fair	7
Majorca	fair	13
Malta	shower	15
Manchester	cloudy	2
Manila	cloudy	30
Melbourne	fair	25
Mexico City	fair	23
Miami	fair	20
Milan	fair	9
Montreal	snow	-4
Moscow	snow	0
Munich	snow	-1
Nairobi	cloudy	27
Naples	shower	11
Nassau	fair	27
New York	fair	6
Nice	fair	12
Nicosia	fair	17
Oslo	fair	-1
Paris	fair	3
Perth	fair	37
Prague	snow	-1
Rangoon	fair	32
Reykjavik	sleet	3
Rio	fair	35
Rome	fair	11
S. Frsco	fair	13
Seoul	fair	4
Singapore	shower	31
Stockholm	snow	-1
Strasbourg	snow	2
Sydney	fair	21
Tangier	shower	18
Tel Aviv	fair	19
Tokyo	fair	10
Toronto	fair	-4
Vancouver	fair	8
Venice	fair	8
Vienna	cloudy	3
Warsaw	snow	0
Washington	fair	4
Wellington	fair	18
Winnipeg	cloudy	-17
Zurich	snow	0

FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 2 1995

MARKETS
THIS WEEK

JOHN PLENDER:
GLOBAL INVESTOR
US equities have been overvalued for so long on any sane view of earnings or dividend prospects that investors' continuing suspension of disbelief has come to seem a natural condition of market life.
Page 16

PETER NORMAN:
ECONOMICS NOTEBOOK
The entry of Sweden, Finland and Austria into the European Union will breathe new life into a complex and potentially explosive debate among EU central bankers on Europe's monetary future.
Page 16

BONDS:
Japanese investors may hold the key to the eurobond markets in 1995. The crucial question likely to dominate the eurobond market this year is whether Japanese investors will turn away from yen assets and begin to buy paper denominated in other currencies. **Page 18**

EQUITIES:
After so many ill-fated attempts by the FT-SE 100 to breach the 3,100 level, it is perhaps asking too much of the London market to blaze a trail this week as the new year unfolds. In New York, market players will be looking to start the year with a bang after last year's feeble finish that saw a late year-end rally cut short by uncertainty surrounding the financial crisis in Mexico. **Page 17**

EMERGING MARKETS:
Latvia and its Baltic neighbours, Estonia and Lithuania, are driving to set up well-regulated and stable equities markets. The legal framework is in place or in draft, economic reforms are on course and returns are potentially large. **Page 17**

CURRENCIES:
Currency traders and investors will return to their desks this week with high hopes, but muted expectations. Swiss Bank predicted 1995 would be the year of the "extremely carefully selected opportunity". **Page 17**

COMMODITIES:
Leading contracts on the London Metal Exchange generally ended 1994 near their recent long-time highs, and dealers said that the lack of an end-year sell-off suggested that all the metal markets were likely to push higher in the new year. **Page 16**

INTERNATIONAL COMPANIES:
Further management changes are expected at SPT Telecom, the Czech Republic's national telephone operator, before its privatisation. **Page 15**

UK COMPANIES:
The purchase of Welbilt, the UK commercial kitchen manufacturer, marks the final transformation of Berisford, the UK conglomerate which was almost written off in 1990. **Page 14**

STATISTICS

BTR may appoint outside directors

UK industrial group seeks to rebuild investor confidence after slide in share price

By David Wighton in London

BTR, the UK-based industrial conglomerate whose shares have fallen by a quarter in the past three months, is considering the appointment of its first outside directors as it attempts to rebuild investor confidence.

Mr Norman Ireland, chairman, stressed in an interview that the group had not started looking for candidates but admitted it was reviewing the issue following the share price slump.

Almost alone among big public companies, BTR has no outside directors largely because of the opposition of its founder Sir Owen Green. He preferred to appoint former BTR executives, arguing that they could combine independence with a knowledge of the company.

Mr Ireland, a former BTR finance director who succeeded Sir Owen as chairman in 1993, remains sceptical about external directors.

"We still believe that BTR needs directors who understand our very complex business. But we are not that bigoted and are reviewing the subject again."

It is thought that other BTR executives support the idea of outside directors and close observers point to the fact that Nylex, BTR's separately quoted Australian subsidiary, appointed its first external director late last year.

Such a move by the parent company would be welcomed by the City.

One of the company's leading shareholders said it would be "a simple but important step" towards restoring investor confidence.

The fund manager argued that having an outside voice on the board might have helped BTR over its recent communications problems with the City.

Another institutional investor said the move would be welcomed if only because BTR would be falling into line with other companies. "Whether BTR needs outside directors or not, people do not like its arrogant view that 'we are right and everybody else is wrong'."

BTR's shares tumbled 12 per cent on September 8 when it revealed a small decline in interim margins and warned it was finding it difficult to pass on higher raw materials prices to its customers. The City was taken by surprise following an upbeat trading statement in May.

Apart from the pressure on margins investors have been worried about BTR's ability to find earnings enhancing acquisitions.

Last month Nylex announced the acquisition of Formica Corp, the US-based laminates manufacturer, for $620m.

Rise, fall and climb, Page 6

Kenneth Gooding reports on waning appetite for share offerings after 1994's glut

Mining groups hope to prolong feeding frenzy

One phrase repeated frequently in the mining industry is: "When the ducks quack, feed them." This is the industry's way of saying that international investors are fickle creatures, so any time they show the slightest interest in buying mining shares the opportunity should be quickly seized.

The ducks quacked hard last year. Mining and metals companies have raised nearly $10bn via share issues and convertible finance – about double the $5m collected in 1993 which Mr Nick Hatch, analyst at Ord Minnett, suggests was "already an impressive number".

But there are signs that the ducks have gorged too well and are suffering from indigestion. Recently two mining company share offerings have been shelved because institutional investors were far from keen about paying the prices asked for.

For those mining companies intent on capitalising on rising metals prices to restore balance sheets blasted by recession, the question is: will investors' appetites return this year and how long will the indigestion linger?

The two mining companies that suffered what an executive described as "an investors' strike" were Samax, which is developing graphite and gold mines in Africa and hopes to raise £16m ($25m) with a London stock market flotation, and Union Minière, the Belgian metals group that wants to sell its Swedish subsidiary, Ammeberg Mining, via an initial public offering and quotation on the Stockholm Stock Exchange.

Both were caught up in a general malaise in the new issues market that has seen other resources companies shelve offerings recently – among them Clark USA Oil, a subsidiary of Horsham of Canada, which in December postponed a $150m initial public offering, and Kymmene, Finland's second-largest forestry group which called off a $307m share issue to international investors.

When institutions were asked to put up cash, it was obvious they were interested only in bargain prices

Mr Michael Martineau, managing director of Samax, said a tour of several financial centres produced a generally favourable response to his company's appeal to investors, particularly in the US. But when the institutions were asked to put up their cash, it was obvious they were interested only in bargain prices.

Samax's shareholders, including the biggest, the Addax Oryx Group, a private company involved in trading and related operations in Africa, "decided to wait until [new issue] market conditions improve rather than to proceed on a scaled-back basis".

Union Minière also decided to wait as it was in no hurry for the $160m or so the sale of Ammeberg would have raised. "Ammeberg is not part of our core business, but it is a valuable asset and we are not prepared to sell at a give-away price." Union Minière said indignantly.

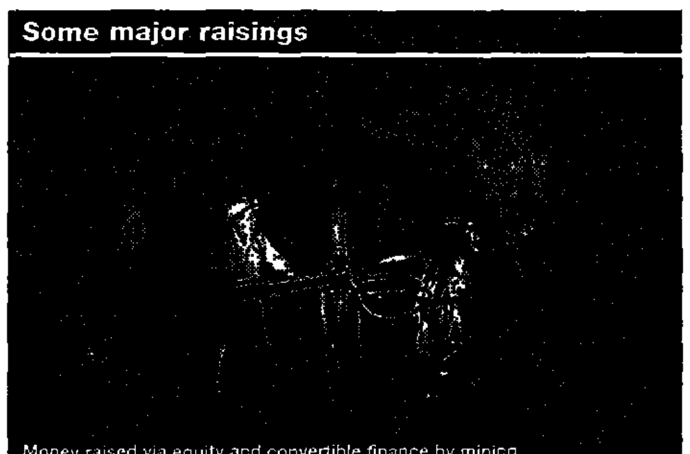
However, one banker associated with the Ammeberg offer said the flotation would have had problems at any price because international investment institutions were tired and nervous after a difficult year. "They are just not interested in another deal. They want to start afresh in January."

At the same time, while mining fund managers understood that base metals prices were recovering from very depressed levels, executives at the general funds were "deeply sceptical" about the very steep rise in non-ferrous metals prices.

"They think prices have been pushed up by the hedge funds and there is a danger that, as soon as they invest in a metals company, the hedge funds will sell, and send metal prices – mining company shares – crashing."

Mining companies and their advisers hope investor attitudes will change early in 1995 because already the queue of those wanting to raise money is growing fast.

Some major raisings



Money raised via equity and convertible finance by mining and metals companies in 1994

Company	Country	$m
RJB	UK	625
Falconbridge	Canada	596
Western Mining	Australia	520
Reynolds Metals	US	473
Ashanti Goldfields	Ghana	454
Pasminco	Australia	370
Metall Mining	Canada	335
Outokumpu	Finland	320
MIM	Australia	305
Metallgesellschaft	Germany	295
Asarco	US	290
Acacia (Shell assets)	Australia	286
Santa Fe Gold	US	268

Source: Ord Minnett

Apart from Samax and Union Minière, which hope to take their offerings off the shelf before long, there is Alumax, the US aluminium producer which two months ago postponed the issue of 8m new shares worth about $250m.

Also, Newmont Gold and Marmon Corporation of the US have indicated that they want to sell their shareholdings in Southern Peru Copper – worth about $300m – via an initial public offering.

Some analysts suggest that Lonrho, having seen the successful flotation of its 49 per cent-owned Ashanti Goldfields last April, might follow up with the sale of part of its Western Platinum subsidiary this year, possibly after a merger with the platinum interests of Gencor of South Africa which is often rumoured to be on the cards.

Some brokers are also trying to persuade Gencor to float part of the Billiton mining and metals business that it recently acquired from the Royal Dutch/Shell group.

Saatchi rebuffs Ayer offer for Bates

By Diane Summers, Marketing Correspondent

Saatchi & Saatchi, the advertising group, has rejected at least one recent offer for its Bates network of agencies and says it plans to keep the group together.

The New York-based Ayer agency is believed to have approached the Saatchi group over Bates. Acquisition of Bates – Saatchi's second main agency network – would have broadened Ayer's operation beyond its US base.

Mr Maurice Saatchi, the deposed chairman of the Saatchi & Saatchi group, favoured the sale of Bates, but other directors disagreed. The issue was one element in the boardroom clashes that led to Mr Saatchi's removal from the board before Christmas.

Mr Saatchi has been given a deadline of tomorrow to decide whether he will stay with the group and accept the largely honorific title of president of the group and chairman of the Saatchi & Saatchi advertising subsidiary. If he does decide to stay, negotiations on terms could continue beyond the deadline.

The Saatchi group said yesterday that its strategy was to continue with the company in its present structure. "This strategy has been reviewed by the board a number of times. It has reaffirmed that it would keep the group in its current format." It is believed that the Ayer approach was one of several offers to buy parts of the business that Saatchi has rejected.

The continued ownership by the Saatchi group of Bates has been one of the main arguments in favour of a name change for the holding company. With substantial revenue coming from Bates, some directors argued that there was no logic in calling the group the same name as its other agency network, Saatchi & Saatchi Advertising Worldwide.

Mr Saatchi opposed the name change. When he was deposed, the board decided to press ahead with finding a new name for the holding company.

Bates is still waiting to see whether the Saatchi boardroom rows will affect relations with one of its most important clients – Mars, the confectionery and pet foods group. The Mars brothers, John and Forrest, said when Mr Saatchi was deposed that they would consider severing ties with the advertising group.

This week: Company news

CREDITO ROMAGNOLO

Rolo prepares terms for big Italian takeover

The official prospectus for Italy's most expensive bank takeover is likely to be released tomorrow. This is the L3,291bn ($2bn) bid for 70 per cent of Credito Romagnolo (Rolo), the profitable Bologna-based commercial bank, by the consortium headed by Cariplo, Italy's largest savings bank.

The bid last week received the go-ahead from the Bank of Italy and is still awaiting that of Consob, the stock exchange watchdog. Once the full terms are known, Italy's banking community will wait to see if a counter-bid comes from Credito Italiano, the recently privatised commercial bank and the original suitor of Rolo.

■ **Santa Fe Pacific:** One of the seven biggest US railway companies starts the new year waiting to see whether Union Pacific will launch an attempt to outbid Burlington Northern's $3.6bn offer for the company.

Union Pacific and Burlington Northern, also among the big US railroads, have been fighting over Santa Fe since October, when Union Pacific launched a hostile bid in an attempt to block Santa Fe's agreed $2.8bn merger with Burlington Northern.

Until recently it appeared that Union Pacific would triumph with its $3.2bn bid. But just before Christmas, Burlington bounced back with a surprise $3.6bn offer. The next few days should tell whether Union Pacific will raise the stakes still higher, or reluctantly concede defeat.

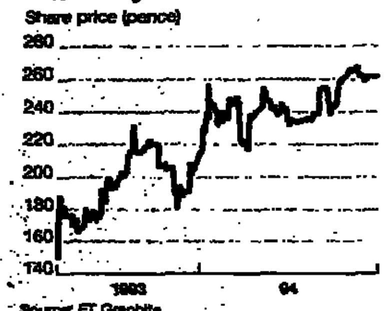
■ **Vodafone:** New UK subscriber figures for mobile telephones covering the important final quarter are due to be published tomorrow.

In the quarter to the end of September, Vodafone, the UK market leader with a 46 per cent share, added 129,000 net new subscribers. This is more than twice the level added by the company between July and September last year.

Its rival, Cellnet, added 133,000 net new subscribers, bringing its total to 1.28m compared with Vodafone's 1.45m. Vodafone has seen its share price rise sharply during the past few weeks in anticipation of further solid gains in the important Christmas quarter.

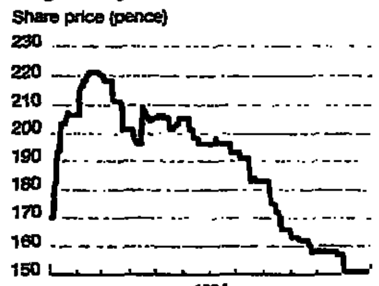
Analysts expect about 20 per cent growth in net subscriber numbers in the September quarter. They will also be watching the "churn" rate – the proportion of customers who leave.

David Lloyd Leisure
Share price (pence)

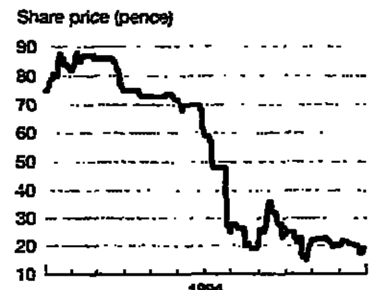


Source: FT Graphite

Reg Vardy
Share price (pence)



Scantronic
Share price (pence)



■ **David Lloyd Leisure:** The tennis and health club company is expected next Thursday to report pre-tax profits for the year to the end of September ahead by more than 30 per cent to £7.5m ($11.7m). A total dividend of 3.6p is expected, compared with a notional 3.25p previously.

Although only one new club was opened during the year – in Glasgow – the group has reaped the benefits of growing membership and the good weather last summer. The Glasgow centre, which was opened in October 1993, has also made a good initial contribution.

The group acquired two clubs in Hampshire last July, and expects next year to open centres under construction in Birmingham and Bristol. These will put it on target with its stated policy of introducing two new clubs each year.

■ **Boots:** The chemists and retailing group is expected on Thursday to become the first of the large retailers to reveal how it has performed during the all-important Christmas trading period.

After a late Christmas surge in sales, analysts are looking for a total increase of at least 5 per cent in the second half at the main Boots the Chemist chain.

Like-for-like sales, which exclude new stores, are expected to be up at least 3 per cent. Like-for-like sales at Halfords, the motor accessories chain, are expected to have increased by at least 5 per cent. Full-year group profits forecasts are about £520m ($811.2m)-£540m, but may be altered depending on when the sale of Boots' pharmaceuticals division to Germany's BASF is completed.

■ **Reg Vardy:** The multi-franchise motor retail group is expected to announce interim pre-tax profits of between £4.6m ($7.2m) and £5m on Thursday.

The substantial increase on last year's £3.51m is helped by acquisitions but also proves the value of the company's specialist retailing strategy. Investors will be keen for indications of current trading, given the recent slowdown in the car market. Values of used cars are likely to have declined.

The interim dividend is forecast to rise from 1.4p to about 1.5p.

■ **Scantronic Holdings:** Bid speculation is likely to resurface on Friday when the debt-burdened security components manufacturer and distributor announces widely-expected losses.

Following a recent profits warning, the company is likely to confirm that hefty reorganisation and debt servicing costs led to pre-tax losses of £2.4m ($3.7m) in the six months to September 30, against profits of £1.4m last time.

Scantronic looks increasingly vulnerable with net debts of £10m, no funds to pay dividends, and its shares languishing at 19p – against a high for last year of 90p.

The most likely bidder remains Menvier-Swan, the emergency lighting and alarms manufacturer, which is said to be still interested in a takeover in spite of the collapse last week of preliminary talks with the group.

Companies in this issue

COMPANIES AND FINANCE

Attractions of a Welbilt deal

Peggy Hollinger on a key move in the transformation of Berisford

Mr Alan Bowkett, chief executive of the conglomerate Berisford International, winces at the idea that his latest deal could in any way resemble the abortive bid for C&J Clark, the family-owned shoe company.

Yet, initially, the similarities between that unhappy experience and Berisford's bid for Welbilt, the commercial kitchen manufacturer, are worrying. Berisford expressed interest in both companies. It also received the promise of exclusive rights to carry out due diligence before making a bid. And finally, Berisford would only bid for either company with the recommendation of the board.

Thankfully, this time, things appear to be turning out somewhat differently for Mr Bowkett. Where the Clark board was riven with dissent, which eventually led to the defeat by shareholders of the Berisford offer, Welbilt's board has unanimously recommended the deal.

The purchase will be Berisford's second in a year and marks the final transformation of a company which was almost written off in 1990.

Mr Bowkett arrived in 1992, after a new management team had rescued Berisford from the near fatal effects of investment in the New York property market. More than 40 disposals later – which helped to reduce the debt from £1.4bn to less than £10m – Mr Bowkett was brought in to find a new business for the commodities and property shell.

Magnet, the kitchens and joinery company, was his first purchase. Berisford funded the £56m acquisition with a 1-for-2 rights issue at 120p and saw its shares jump to 232p on the first day of trading.

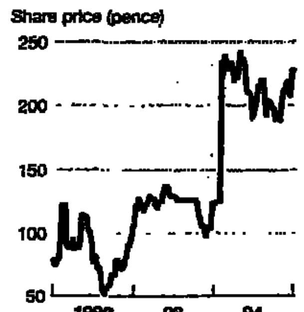
Shareholders who watched the shares edge back from a 1994 peak of 243p to 207p might have been getting a little bit impatient when the Welbilt deal came along.

The attractions of Berisford's offer are obvious for Welbilt's shareholders. Just 15 months before, the kitchen equipment manufacturer, had completed a secondary offering at about $18 (£11.50) a share. Mr Bowkett is offering $33.75 per share for more than half of the company. The Kohlberg family, which holds 46.7 per cent, has agreed to accept just $30 per share.

But what about Berisford's shareholders? Surely this means the company has overpaid for the business. Not so, says Mr Andrew Hollins, an analyst with London stockbrokers Kleinwort Benson. "The earnings potential of Welbilt is dramatic," he says.

Berisford has two advantages in the Welbilt deal which allow it to pay a higher price. The company enjoys tax losses of $650m in the US, which are expected to last for 15 years. Furthermore, it is funding the purchase through the issue of convertible loan stock, which does not have the dilutive effects of an equity issue.

Berisford International



Source: FT Graphite

Mr Bowkett sees other reasons why the earnings potential of a company which supplies equipment to fast food chains, such as McDonald's, should be so attractive.

The opportunity to piggyback on the expansion of fast food chains is irresistible, he says. Mr Bowkett cites statistics, such as the fact that there is only one fast food outlet per 7,000 people in western Europe, compared with one per 1,400 in the US. The fast food chains have ambitious plans to expand substantially in Europe and the Far East before the end of the decade.

Furthermore, Welbilt's factories are only using two-thirds of their capacity. Mr Bowkett, who favours Japanese-style corporate disciplines, does not intend that capacity to linger unused for long.

He is confident that Berisford shareholders will reap substantial rewards from the organic growth of Welbilt, as well as from canny financing.

However, there are those who pick holes in Mr Bowkett's strategy.

For example, the decision to use convertible loan stock will mean infinite gearing in the short-term. This will hold Berisford back from any further substantial acquisitions for a while. For an industrial conglomerate such as Berisford, this could be damaging.

"A large company such as this normally needs to do a deal a year to keep the share price going," says one London analyst. "The use of loan stock means it will be at least two years before the next big deal. We will have to see what it does a year down the line to keep the market interested."

Then there are the hardened cynics who argue that the deal comes at an opportune time for the chief executive who could benefit substantially from any rise in the shares when they resume trading.

Mr Bowkett, who invested £1.1m in the company on arrival and owns 1.5m shares, has options on a further 3.5m shares which must be exercised before the end of this month. Some 1.5m shares are exercisable at 98p, and the balance at 250p. He has options on another 1.55m shares, at 64.4p. Altogether, Mr Bowkett, who has already made his fortune through the sale of an engineering company to Japan's NSK for £210m, stands to gain more than £4m based on the company's suspension price of 228p.

That, however, is the cynical view. "You have to remember, that deal stands together in its own right," says Mr Hollins. "Because of the tax losses and the way they have financed the deal, it offers huge earnings enhancement for the group."

Trevor Humphries

Alan Bowkett: The opportunity to piggyback on the ambitious expansion plans of the fast food chains is irresistible

PEOPLE

Crowther joins Jupiter

Jupiter Tyndall Group, the fund management concern, announced the appointment of Mr Charles Crowther as joint deputy chairman.

Mr Crowther joined the board following the acquisition in July of Queen Anne's Gate Asset Management, of which he was managing director.

Mr John Craig is to relinquish the position of vice-chairman of Jupiter Tyndall. Mr Craig had been responsible for Tyndall's banks until their sale in August, but he will remain on the board with responsibility for the group's treasury operations.

Another director, Mr James D'Albiac, is to stand down as he is approaching retirement age. He will continue on a part-time basis as a director of Jupiter Asset Management, the UK operating subsidiary.

Last week Jupiter Tyndall said it was in talks with "with a small number of parties" about its possible acquisition.

Lloyds Abbey Life

Mr James Joll has resigned as a non-executive director of Lloyds Abbey Life with immediate effect.

Mr Joll is finance director of Pearson, owner of the Financial Times.

Dr Anne Hogg, chairman of the Girls' Public Day School Trust, becomes a non-executive director of the company as January 1 1995.

Debenham Tewson

Debenham Tewson & Chinnocks Holdings, one of the UK's largest estate agents and surveyors specialising in commercial property, is to divide the group chief executive's responsibilities following the retirement of Mr Anthony Turnbull on December 31.

The role will now be shared between Mr Tim Smyth, currently group finance director, who will become group finance and operations director, and Mr Mark Struckett, managing director of London operations, who will become group managing director.

■ HENRI DE VILLIERS is resigning from the board of Capital & Counties.

DR CONRAD STRAUSS has been appointed a non-executive director. He is also chairman of Standard Bank Investment Corporation and a director of Liberty Life.

■ CHRISTOPHER KING has been appointed a non-executive director of Avon Rubber. He recently retired as chairman of BP Europe.

■ ALAN PETERS has resigned from the board of Tops Estates. He was a non-executive director for 12 years.

Telemetrix £2.5m sale

Telemetrix, the supplier of specialised electronic components, has sold its Zimbabwean interests to Trans Zambesi Industries for £2.45m cash.

The businesses sold include Consolidated Lighting, a manufacturer and distributor of lighting products, and Standard Telephone & Cables (Zimbabwe), a supplier of telecommunications equipment.

In the six months to June 1994, net profits of the Zimbabwean operations were £168,000 and the attributable net asset value was £1.9m.

Mr Tim Curtis, Telemetrix chief executive, said the proceeds of the sale would be used to develop the company's other businesses.

Approval for TBI acquisition

Shareholders of TBI, the property investment and development company, have approved the acquisition of a portfolio of investment properties from Mr Peter Thomas and other connected parties for 27.98m shares.

The EGM also approved an increase in the authorised share capital pursuant to the acquisition.

NEWS DIGEST

Hunterprint acceptances at 78.8%

Quebecor Printing, the second largest commercial printer in North America, has received valid acceptances or undertakings in respect of 45.7m ordinary shares in Hunterprint at 2p per share.

This represents about 78.8 per cent of the issued ordinary capital of the company, the UK's biggest independent printer of national newspaper supplements.

No acceptances have been received in respect of the preference shares. The offers have been extended until January 11.

Radiant Metal

Radiant Metal Finishing, the electroplating and metal finishing company and residential property developer, saw losses for the six months to end August deepen from £24,000 to £71,000, despite a continued increase in turnover, up from £540,000 to £560,000.

Losses per share increased from 1.79p to 5.25p and there will be no decision about a dividend until the year-end.

The company blamed its problems on depressed activity in the fields in which it operates.

Gartmore Value

Dealings in the ordinary shares of Gartmore Value Investments were suspended at 24½p following the announcement of the appointment of a liquidator for the voluntary winding up of the company.

The directors also declared a special interim dividend per ordinary share of 0.3615p, which equals the entire net distributable income of the company.

The offers made by Greig, Middleton & Co on behalf of Gartmore Shared Equity Trust for all of the ordinary and zero preference shares of Gartmore Value Investments not already owned by GSET have been declared unconditional.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Deutsche Bank (Germany)	ITT Commercial Finance (US)	Financial services	£2bn	Deutsche continues international expansion
Investor Group (Intl)	Adidas (Germany)	Sports equipment	Est £569m	Adidas changing hands again
Zurich Insurance (Switzerland)	Home Holdings (US)	Insurance	£316m	Replaces earlier refinancing
SCA (Sweden)	Scott Health Care (US/Sweden)	Healthcare products	£27.8m	Buying out joint venture partner
China Trust Commercial Bank (Taiwan)	Trans National Bank (US)	Banking	£19.2m	First of its kind
Investor Group (US/Finland)	Nokia Aluminium (Finland)	Aluminium products	£17.6m	Nokia continues disposals
William Baird (UK)	Unit of SCA (Sweden)	Clothing	£14.5m	Non-core disposal
Prudential Corp (UK)	Thai Sethakit Life (Thailand)	Insurance	£13m	Prudential taking initial 24.99%
Samas (Netherlands)	Schaerf (Germany)	Office furniture	n/a	Market leadership move
Unilever (UK/Netherlands)	Frudesa (Spain)	Food	n/a	France's Danone disposing

COMPANIES AND FINANCE

Czech phone group faces further changes

By Vincent Boland in Prague

Further management changes are expected at SPT Telecom, the Czech Republic's national telephone operator, ahead of its privatisation in the next three months. The company is seeking to restore its credibility following the removal from office of its chairman, Mr Jiri Makovec.

SPT's supervisory board passed a vote of no confidence in Mr Makovec at a 16-hour meeting that ended in the early hours of last Friday, after investigating a series of allegations of misconduct against him. These included claims that he awarded a contract for the supply of telephone cards to a company owned by a close friend. The economy minister, Mr Karel Dyba, confirmed the board's decision.

The controversy comes at a critical time for SPT. The economy ministry and J.P. Morgan, the US investment bank, are organising an international tender for a 27 per cent stake in the company, valued at up to $1bn, in the country's biggest privatisation deal so far.

A new management team is seen as a priority to restore SPT's shattered confidence and reassure potential partners that the government remains committed to the deal.

Ten big international telecommunications groups, including AT&T of the US, Deutsche Telekom, Ameritech, PTT Telecom Netherlands, Stet of Italy, and a consortium of France Télécom and Bell Atlantic, are vying for the stake in what is expected to be the largest telecoms deal yet in eastern Europe.

Mr Makovec remains chief executive of SPT, but observers said he is likely to lose that position later this month after an executive board meeting convenes to assess the damage done to the company's credibility by the controversy.

The supervisory board vote to relieve him of his chairman's duties was passed by a substantial majority of members, most of whom are state-appointed.

The vote must be approved by a shareholders' meeting within two weeks, but this is seen as a formality. The state currently owns 74 per cent of SPT.

Mr Makovec has been blamed for SPT's poor public image, and his autocratic management style has won him few friends.

"Nobody knows how he runs the company," said Mr Karel Stary, director of local operations for Ameritech. "Its image is terrible, and the impression is that it is not changing fast enough."

He has also been criticised for his opposition to the break-up of SPT's monopoly of local telephone operations as part of the government's attempt to introduce competition into the market. Mr Makovec could not be reached for comment yesterday.

Sources among the bidding companies described Mr Makovec's removal as "neutral to positive" for the tender process, which is running behind schedule because of parliament's failure to approve new pricing mechanisms for telephone tariffs.

The bidders have been told these should be ready after January 6, some three weeks later than planned.

The controversy appears unlikely to affect the timetable for privatisation, but the sources said much depends on who replaces Mr Makovec as chairman.

The government has said that it would know the winner of the tender in March. A further 26 per cent of SPT's share capital has been sold to Czech citizens and Czech investment funds and will be distributed in February.

The winner of the tender will acquire 27 per cent of SPT through a capital injection. The state's share of the enlarged equity will then fall to 51 per cent and that of private shareholders to about 19 per cent, with the remainder owned by state-run compensation funds.

Ebner client adds new twist to UBS saga

The Swiss bank's share proxy battle becomes more complex, says Ian Rodger

Information emerging last week showed that the board of Union Bank of Switzerland won its epic proxy battle last autumn against Mr Martin Ebner, the maverick Zurich broker-fund manager, by buying a 1.45m block of its registered shares worth some SFr450m ($344m) from one of Mr Ebner's own clients.

Disclosure of the transaction will probably add to the complexity of the legal actions surrounding the controversial way in which UBS proposed to abolish its registered shares and create a single class of bearer shares.

The bank did not offer any compensation to the registered shareholders for their conversion into bearers, even though the registered enjoyed a substantial premium value on the stock market.

However, it did stipulate that a two-thirds majority of votes at a November 22 shareholders meeting had to approve it. In the event, it was approved by 66.8 per cent, a mere 65,500 votes more than were needed.

From the outset, UBS directors made no bones about the fact that their aim was to neutralise an attempt by Mr Ebner to rally a majority of votes at the next annual meeting to bring about substantial changes to the board and the bank's strategy.

Mr Ebner, whose BZ Bank is known to service only a small number of institutional and very rich private clients, was apparently encouraging these clients to buy large quantities of the registered shares. For any given investment in registered shares, an investor would have roughly five times as many votes as he would in bearer shares.

The idea was that they could then vote together to bring in a new board that would change the bank's strategy and unlock its vast hidden value.

UBS directors suspected Mr Ebner was heading a concert party, but he insisted there were no agreements or contracts; that his clients were always free to do what they wanted.

He also said at the outset that he was confident the board's conversion proposal would be defeated unless one of his clients decided to sell out.

Last week's disclosure suggests that that is what happened.

Rumours of a 1.45m over-the-counter transaction in UBS registered shares were already circulating in early November, and Mr Ebner submitted written questions to the shareholders' meeting about it.

Martin Ebner: encouraged clients to buy shares

The bank replied only that it could not discuss a particular transaction because of the law's secrecy requirements, but that any purchases were made under "normal market conditions".

A week ago, a Swiss newspaper revealed the identity of the seller, Mr Karl-Heinz Kipp, a retired German billionaire, and claimed he was a client of Mr Ebner's BZ Bank. The report also suggested the transaction had been made on October 28, when the price of the registered shares was SFr273, but backdated to October 17, when the price was SFr308.

Moreover, the sale was done on a forward basis, which meant Mr Kipp would have retained the power to vote the shares at the shareholders' meeting.

This is significant because under Swiss law a company is not allowed to vote shares it holds in treasury. In other words, if UBS had bought the shares on a spot basis, it could not have voted them.

Mr Kipp confirmed to the Financial Times that he voted his shares, but he would not say how. Nor would he make any other comment on the transaction or on whether or not he had a relationship with BZ Bank.

For its part, UBS confirmed on Friday that it was the purchaser and that "the majority" of the shares were bought on a forward contract. It said that this was because they were committed to cover warrants issued by another bank.

Because of these complexities, the deal, which was agreed on October 18, could not be settled until October 28. UBS confirmed that the seller kept the voting rights but said no agreements were made with him on how the shares would be voted.

Meanwhile, Zurich banking sources have confirmed the warrants to which Mr Kipp's shares were committed were issued by OZ, the options subsidiary of BZ Bank. This means Mr Ebner, who is chairman of OZ, might have been expected to have known of the transaction from the outset.

The transaction has now become the focus of considerable legal activity. The Zurich cantonal stock exchange commission is investigating the timing of its disclosure to ensure there was no attempt to mislead the market.

BK Vision, the BZ group's investment trust and UBS's largest shareholder, intends to ask the commercial court to order a special audit of the deal to make sure that no special terms were offered to Mr Kipp. It may also invoke the clause of Swiss company law that prohibits the placing of shares by a board in friendly hands to influence the result of a shareholder vote.

The Zurich prosecutor may also open an investigation into the leaking of Mr Kipp's name. The violation of bank secrecy is a criminal offence in Switzerland.

Malay and Cambodian tourism venture

By Kieran Cooke in Kuala Lumpur

Malaysian and Cambodian concerns are due to sign a contract today for a US$1bn tourism and infrastructure project near Sihanoukville on Cambodia's coast.

Ariston, the Malaysian company spearheading the project, is a private concern. The Cambodian Ministry of Tourism will be Ariston's partner in the project.

The scheme involves building a power plant, water and sewage treatment facilities and roads, and upgrading of Sihanoukville airport. Industrial and tourist facilities will also be built, including gaming centres on two islands near Sihanoukville. Ariston says the project is on a build, operate, transfer basis.

The project is receiving high-level attention: Dr Mahathir Mohamad, the Malaysian prime minister, along with his Cambodian counterparts, Prince Norodom Ranariddh and Mr Hun Sen, are due to be present at a signing ceremony in Kuala Lumpur.

The two Cambodian prime ministers are due to fly to the Malaysian capital on the inaugural flight of Royal Air Cambodge. Last week, Malaysia Airlines (MAS) signed an agreement taking a 40 per cent stake in the new Cambodian carrier.

Walt Disney claims 1994 box office record

Walt Disney, the US entertainments group, said its Buena Vista film distribution division is about to become the first distributor to reach $1bn in box office gross receipts in a single year, Reuter reports from Burbank.

The record would be set over the four-day new year's weekend, Disney said.

Buena Vista's previous best year was in 1992 with $874.2m in gross receipts. In 1993, the total was $828.6m.

Southern Europe downside limited

Italian and Spanish bonds prices may have seen the worst

OUTLOOK 95

Investors in southern Europe's two high yield bond markets – Italy and Spain – have had a rough ride in 1994. Both markets were heavily sold after the rise in interest rates in the US in February triggered a decline in international markets.

And in the second half of the year local political uncertainty – culminating in the collapse of Mr Silvio Berlusconi's government in Italy before Christmas – has further depressed prices. Analysts are not optimistic about the prospects for any recovery in 1995, but believe the downside is limited.

"Without a rally in the long end of the curve in the core markets it is difficult to see narrowing in the peripheral markets," said Mr Jose Luis Alzola, analyst with Salomon Brothers. "But unless we see a serious financial crisis, prices will not move down much beyond present levels."

Italian bond yields increased steadily in the second half of the year, reversing the trend established in 1993 and the early part of 1994. The yield spread over the equivalent German paper widened out from its May levels of 255 basis points to more than 500 points in early December, before falling to close the year at 480 points over the 10-year bund.

Although some underlying economic trends are favourable – the economy is growing and inflation fell to a 25-year low of 3.6 per cent in the summer of 1994 – investors, especially from overseas, are worried by the slow progress made to date in tackling a fiscal deficit and a debt equal to more than 120 per cent of GDP.

Analysts fear that following Mr Berlusconi's departure, early elections could perpetuate uncertainty and delay any moves to tackle fiscal problems.

"The main risk now perceived by market players is that the tax adjustment will be deferred further and that an even longer time will be required to stabilise the debt/GDP ratio," says a Deutsche Bank research note.

By contrast, a short-term multi-party coalition, or "institutional" government, is viewed with greater equanimity by the markets.

Some analysts are even positive about the possible inclusion within such an administration of representatives of the PDS, the reformist core of the former communist party, suggesting it may be better placed to introduce electoral reform, a pre-requisite for longer-term political stability.

In any event, analysts largely believe most political risk has already been discounted in current prices.

"The view here is that regardless of who is in government the problem is public finances. I see yields staying around present levels, with a relatively high degree of volatility," says Mr Alzola.

Political worries have also spooked investors in Spanish bonds. The government has been dogged by a series of political scandals.

"The market is not taking too kindly to broad developments that have been occurring," says one analyst.

"The position of the government is fragile. The worst scenario is one in which the present government gets weaker and weaker and tries to hang on to power at any cost," he added

Bond prices fell sharply in the last three months of 1994, with the yield spread of Spanish bonds over the bund widened from around 350 basis points in the summer to more than 400 points.

During December, allegations of high-level political involvement in the anti-Basque terrorist activity shook the peseta badly and contributed to further falls in bond prices, with the yield spread rising to 433 basis points on 29 December before closing the year 417 basis points above the bund.

Richard Lapper

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 30, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5414.45	3468.82	2232.76	3468.8
Albania	(Lek)	157.120	100.428	64.7917	100.66
Algeria	(Dinar)	67.3478	43.0474	27.7722	43.1467
Andorra	(Fr Franc)	8.3494	5.3367	3.443	5.349
	(Sp Peseta)	205.935	131.63	84.9216	131.933
Angola	(New Kwanza)	793011.9	506879	327015	508048
Antigua	(E Car $)	4.2215	2.6983	1.7408	2.7045
Argentina	(Peso)	1.5646	1	0.6451	1.0023
Aruba	(Florin)	2.7987	1.7888	1.1541	1.793
Australia	(Aus $)	2.0170	1.2892	0.8317	1.2922
Austria	(Schilling)	17.0848	10.9075	7.037	10.9326
Azores	(Port Escudo)	249.069	159.2	102.709	159.568
Bahamas	(Bahama $)	1.5645	1	0.6451	1.0023
Bahrain	(Dinar)	0.5898	0.3769	0.2432	0.3778
Balearic Is	(Sp Peseta)	205.935	131.63	84.9216	131.933
Bangladesh	(Taka)	62.2871	39.8	25.6771	39.8917
Barbados	(Barb $)	3.1447	2.01	1.2967	2.0146
Belgium	(Belg Fr)	49.7981	31.83	20.5352	31.9034
Belize	(B $)	3.1270	1.9987	1.2894	2.0033
Benin	(CFA Fr)	834.940	533.678	344.305	534.909
Bermuda	(Bermudian $)	1.5645	1	0.6451	1.0023
Bhutan	(Ngultrum)	49.0765	31.3688	20.2377	31.4411
Bolivia	(Boliviano)	7.3688	4.71	3.0386	4.7208
Botswana	(Pula)	4.2746	2.7322	1.7627	2.7385
Brazil	(Real)	1.3251	0.8469	0.5464	0.8489
Brunei	(Brunei $)	2.2810	1.4579	0.9406	1.4613
Bulgaria	(Lev)	103.222	65.9776	42.5657	66.1297
Burkina Faso	(CFA Fr)	834.940	533.678	344.305	534.909
Burma	(Kyat)	9.1906	5.8744	3.7899	5.888
Burundi	(Burundi Fr)	387.990	247.996	159.996	248.568
Cambodia	(Riel)	4054.16	2591.35	1671.82	2597.32
Cameroon	(CFA Fr)	834.940	533.678	344.305	534.909
Canada	(Canadian $)	2.1945	1.4026	0.9049	1.4058
Canary Is	(Sp Peseta)	205.935	131.63	84.9216	131.933
Cp. Verde	(CV Escudo)	129.724	82.9172	53.4944	83.1084
Cayman Is	(CI $)	1.2949	0.8276	0.5339	0.8295
Cent.Afr. Rep	(CFA Fr)	834.940	533.678	344.305	534.909
Chad	(CFA Fr)	834.940	533.678	344.305	534.909
Chile	(Chilean Peso)	627.445	401.05	258.739	401.975
China	(Yuan)	13.2141	8.4462	5.4491	8.4656
Colombia	(Col Peso)	1301.04	831.601	536.511	833.519
CIS ‡	(Rouble)	1.0423b	0.6662	0.4298	0.6677
		5612.60m	3587.47	2314.47	3595.75
Comoros	(Fr)	628.633	401.811	259.23	402.738
Congo (Brazz)	(CFA Fr)	834.940	533.678	344.305	534.909
Costa Rica	(Colon)	256.867	164.186	105.926	164.583
Côte d'Ivoire	(CFA Fr)	834.940	533.678	344.305	534.909
Croatia	(Kuna)	8.8057	5.6284	3.6312	5.6414
Cuba	(Cuban Peso)	1.5635	0.9993	0.6447	1.0016
Cyprus	(Cyprus £)	0.7445	0.4758	0.307	0.4769
Czech Rep.	(Koruna)	43.6740	27.8772	17.9851	27.9415
Denmark	(Danish Krone)	9.5208	6.0855	3.9261	6.0995
Djibouti Rep	(Djib Fr)	277.865	177.608	114.584	178.018
Dominica	(E Carib $)	4.2215	2.6983	1.7408	2.7045
Dominican Rep	(D Peso)	20.6851	13.2215	8.5299	13.252
Ecuador	(Sucre)	3555.60o	2272.67	1466.23	2277.92
		3554.40f	2271.81	1465.73	2277.15
Egypt	(Egyptian £)	5.3286	3.4065	2.1977	3.4144
El Salvador	(Colon)	13.7119	8.7643	5.6543	8.7846
Equat'l Guinea	(CFA Fr)	834.940	533.678	344.305	534.909
Estonia	(Kroon)	19.3600	12.3745	7.9835	12.4031
Ethiopia	(Ethiopian Birr)	8.4742	5.4165	3.4945	5.429
Falkland Is	(Falk £)	1.00	0.6391	0.4123	0.6406
Faroe Is	(Danish Kroner)	9.5208	6.0855	3.9261	6.0995
Fiji Is	(Fiji $)	2.2030	1.4081	0.9084	1.4113
Finland	(Markka)	7.4150	4.7395	3.0577	4.7504
France	(Fr)	8.3494	5.3367	3.443	5.349
Fr. Cty/Africa	(CFA Fr)	834.940	533.678	344.305	534.909
Fr. Guiana	(Local Fr)	8.3494	5.3367	3.443	5.349
Fr. Pacific Is	(CFP Fr)	152.396	97.4087	62.8437	97.6334
Gabon	(CFA Fr)	834.940	533.678	344.305	534.909
Gambia	(Dalasi)	15.1299	9.6688	6.2378	9.6911
Germany	(D-Mark)	2.4250	1.55	1	1.5535
Ghana	(Cedi)	1621.35	1036.34	668.598	1038.73
Gibraltar	(Gib £)	1.00	0.6391	0.4123	0.6406
Greece	(Drachma)	376.419	240.6	155.224	241.155
Greenland	(Danish Krone)	9.5208	6.0855	3.9261	6.0995
Grenada	(E Carr $)	4.2215	2.6983	1.7408	2.7045
Guadeloupe	(Local Fr)	8.3494	5.3367	3.443	5.349
Guam	(US $)	1.5645	1	0.6451	1.0023
Guatemala	(Quetzal)	8.7695	5.6053	3.6162	5.6182
Guinea	(Fr)	1566.80	1001.47	646.103	1003.78
Guinea-Bissau	(Peso)	21215.1	13560.3	8748.49	13591.6
Guyana	(Guyanese $)	222.017	141.908	91.5534	142.237
Haiti	(Gourde)	29.8472	19.0777	12.3081	19.1217
Honduras	(Lempira)	14.5562	9.304	6.0025	9.3255
Hong Kong	(HK $)	12.1046	7.737	4.9915	7.7548
Hungary	(Forint)	177.023	113.15	72.9991	113.411
Iceland	(Icelandic Krona)	107.272	68.5663	44.2358	68.7244
India	(Indian Rupee)	49.0765	31.3688	20.2377	31.4411
Indonesia	(Rupiah)	3438.77	2198	1418.05	2203.07
Iran	(Rial)	2705.50	1729.31	1115.67	1733.29
Iraq	(Iraqi Dinar)	0.8737	0.5584	0.3602	0.5597
Irish Rep	(Punt)	1.0131	0.6475	0.4177	0.649
Israel	(Shekel)	4.7208	3.0174	1.9467	3.0244
Italy	(Lira)	2538.01	1622.25	1046.6	1625.99
Jamaica	(Jamaican $)	49.9538	31.9295	20.5995	32.0032
Japan	(Yen)	156.090	99.7688	64.367	100
Jordan	(Jordanian Dinar)	1.1014	0.7039	0.4541	0.7056
Kenya	(Kenya Shilling)	70.1621	44.8463	28.9328	44.9497
Kiribati	(Australian $)	2.0170	1.2892	0.8317	1.2922
Korea North	(Won)	3.3615	2.1486	1.3861	2.1535
Korea South	(Won)	1233.61	788.501	508.705	790.32
Kuwait	(Kuwaiti Dinar)	0.4695	0.3	0.1936	0.3007
Laos	(New Kip)	1127.28	720.537	464.858	722.199
Latvia	(Lats)	0.8599	0.5496	0.3545	0.5509
Lebanon	(Lebanese £)	2576.73	1647	1062.57	1650.8
Lesotho	(Maluti)	5.5450	3.5442	2.2865	3.5524
Liberia	(Liberian $)	1.5645	1	0.6451	1.0023
Libya	(Libyan Dinar)	0.5588	0.3571	0.2304	0.3579
Liechtenstein	(Swiss Fr)	2.0474	1.3086	0.8442	1.3116
Lithuania	(Litas)	6.2540	3.9974	2.5789	4.0066
Luxembourg	(Lux Fr)	49.7981	31.83	20.5352	31.9034
Macao	(Pataca)	12.4985	7.9888	5.154	8.0072
Madagascar	(MG Fr)	5691.14	3637.67	2346.86	3646.06
Madeira	(Port Escudo)	249.069	159.2	102.709	159.568
Malawi	(Kwacha)	24.0779	15.3901	9.929	15.4256
Malaysia	(Ringgit)	3.9950	2.5535	1.6474	2.5594
Maldive Is	(Rufiya)	18.4024	11.7624	7.5886	11.7896
Mali Rep	(CFA Fr)	834.940	533.678	344.305	534.909
Malta	(Maltese Lira)	0.5755	0.3678	0.2373	0.3686
Martinique	(Local Fr)	8.3494	5.3367	3.443	5.349
Mauritania	(Ouguiya)	190.747	121.922	78.6585	122.203
Mauritius	(Maur Rupee)	28.2446	18.0534	11.6472	18.095
Mexico	(Mexican Peso)	7.7052	4.925	3.1774	4.9363
Miquelon	(Local Fr)	8.3494	5.3367	3.443	5.349
Monaco	(French Fr)	8.3494	5.3367	3.443	5.349
Mongolia	(Tugrik)	641.707	410.167	264.621	411.113
Montserrat	(E Carr $)	4.2215	2.6983	1.7408	2.7045
Morocco	(Dirham)	13.9394	8.9098	5.7482	8.9303
Mozambique	(Metical)	10099.4	6455.35	4164.7	6470.24
Namibia	(S A Rand)	5.5450	3.5442	2.2865	3.5524
Nauru Is	(Australian $)	2.0170	1.2892	0.8317	1.2922
Nepal	(Nepalese Rupee)	77.2369	49.3684	31.8502	49.4822
Netherlands	(Guilder)	2.7149	1.7353	1.1195	1.7393
N'nd Antilles	(A/Guilder)	2.7987	1.7888	1.1541	1.793
New Zealand	(NZ $)	2.4440	1.5621	1.0078	1.5657
Nicaragua	(Gold Cordoba)	11.0469	7.0609	4.5553	7.0771
Niger Rep	(CFA Fr)	834.940	533.678	344.305	534.909
Nigeria	(Naira)	34.4190	22	14.1934	22.0507
Norway	(Nor. Krone)	10.5823	6.764	4.3638	6.7796
Oman	(Rial Omani)	0.6023	0.3849	0.2483	0.3858
Pakistan	(Pak. Rupee)	48.1384	30.7691	19.8508	30.8401
Panama	(Balboa)	1.5645	1	0.6451	1.0023
Papua New Guinea	(Kina)	1.8439	1.1785	0.7603	1.1813
Paraguay	(Guarani)	2994.10	1913.77	1234.68	1918.19
Peru	(New Sol)	3.4122	2.181	1.407	2.186
Philippines	(Peso)	38.1739	24.4	15.7418	24.4563
Pitcairn Is	(£ Sterling)	1.00	0.6391	0.4123	0.6406
	(NZ $)	2.4440	1.5621	1.0078	1.5657
Poland	(Zloty)	38128.9	24370	15722.4	24426.2
Portugal	(Escudo)	249.069	159.2	102.709	159.568
Puerto Rico	(US $)	1.5645	1	0.6451	1.0023
Qatar	(Riyal)	5.6915	3.6379	2.347	3.6462
Reunion Is. de la	(F/Fr)	8.3494	5.3367	3.443	5.349
Romania	(Leu)	2776.00	1774.37	1144.74	1778.46
Rwanda	(Fr)	216.500	138.383	89.2783	138.702
St Christopher	(E Carr $)	4.2215	2.6983	1.7408	2.7045
St Helena	(£)	1.00	0.6391	0.4123	0.6406
St Lucia	(E Carr $)	4.2215	2.6983	1.7408	2.7045
St Pierre	(French Fr)	8.3494	5.3367	3.443	5.349
St Vincent	(E Carr $)	4.2215	2.6983	1.7408	2.7045
San Marino	(Italian Lira)	2538.01	1622.25	1046.6	1625.99
Sao Tome	(Dobra)	1485.74	949.275	612.429	951.464
Saudi Arabia	(Riyal)	5.8688	3.7512	2.4201	3.7599
Senegal	(CFA Fr)	834.940	533.678	344.305	534.909
Seychelles	(Rupee)	7.7706	4.9668	3.2043	4.9782
Sierra Leone	(Leone)	930.283	594.62	383.622	595.991
Singapore	($)	2.2810	1.4579	0.9406	1.4613
Slovakia	(Koruna)	48.6150	31.0738	20.0474	31.1454
Slovenia	(Tolar)	200.347	128.058	82.6173	128.354
Solomon Is	($)	5.1464	3.2894	2.1222	3.297
Somali Rep	(Shiling)	4096.37	2618.33	1689.22	2624.36
South Africa	(Rand)	5.5450c	3.5442	2.2865	3.5524
		6.3754g	4.075	2.629	4.0844
Spain	(Peseta)	205.935	131.63	84.9216	131.933
Spanish Ports in N Africa	(Sp Peseta)	205.935	131.63	84.9216	131.933
Sri Lanka	(Rupee)	77.7009	49.665	32.0416	49.7795
Sudan Rep	(Dinar)	48.6249	31.0801	20.0515	31.1518
Surinam	(Guilder)	516.737	330.289	213.087	331.051
Swaziland	(Lilangeni)	5.5450	3.5442	2.2865	3.5524
Sweden	(Krona)	11.6308	7.434	4.7961	7.4512
Switzerland	(Fr)	2.0474	1.3086	0.8442	1.3116
Syria	(£)	35.5400	22.7165	14.6556	22.7689
Taiwan	($)	41.1276	26.288	16.9598	26.3486
Tanzania	(Shilling)	819.274	523.665	337.845	524.873
Thailand	(Baht)	39.2768	25.105	16.1966	25.1629
Togo Rep	(CFA Fr)	834.940	533.678	344.305	534.909
Tonga Is	(Pa'anga)	2.0170	1.2892	0.8317	1.2922
Trinidad/Tobago	($)	8.8729	5.6713	3.6589	5.6844
Tunisia	(Dinar)	1.5443	0.987	0.6368	0.9893
Turkey	(Lira)	60548.3	38700.1	24967.5	38789.4
Turks & Caicos	(US $)	1.5645	1	0.6451	1.0023
Tuvalu	(Australian $)	2.0170	1.2892	0.8317	1.2922
Uganda	(New Shilling)	1435.29	917.411	591.872	919.527
Ukraine	(Karbovanets)	162916.7	104133	67182.1	104374
U A E	(Dirham)	5.7460	3.6727	2.3694	3.6812
United Kingdom	(£)	1.00	0.6391	0.4123	0.6406
United States	(US $)	1.5645	1	0.6451	1.0023
Uruguay	(Peso Uruguayo)	8.8181	5.6363	3.6363	5.6493
Vanuatu	(Vatu)	172.877	110.5	71.2894	110.755
Vatican	(Lira)	2538.01	1622.25	1046.6	1625.99
Venezuela	(Bolivar)	265.782	169.87	109.593	170.262
Vietnam	(Dong)	17323.6	11072.8	7143.75	11098.5
Virgin Is-British	(US $)	1.5645	1	0.6451	1.0023
Virgin Is-US	(US $)	1.5645	1	0.6451	1.0023
Western Samoa	(Tala)	3.9088	2.4984	1.6118	2.5041
Yemen (Rep of)	(Rial)	88.30a(2)	56.4397	36.4123	56.5699
Yemen (Rep of)	(Dinar)	0.6884(2)	0.44	0.2838	0.441
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	4975.00	3179.93	2051.55	3187.26
Zambia	(Kwacha)	1086.63	694.554	448.085	696.156
Zimbabwe	($)	13.0787	8.3596	5.3932	8.3789

Special Drawing Rights December 29, 1994 United Kingdom £0.93[illegible] United States $1.45579 Germany DM2.26827 Japan ¥145.215 European Currency Unit Rates December 30, 1994 United Kingdom £0.787074 United States $1.23004 Germany DM1.90533 Japan ¥132.659

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Yemeni rates for 29.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5

Friday, December 30, 1994

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / John Plender

Global tank traps for pundits

What will go wrong with conventional punditry about global market trends in 1995? Probably the one thing that it is vital to get right: Wall Street. US equities have been overvalued for so long on any sane view of earnings or dividend prospects that investors' continuing suspension of disbelief has come to seem a natural condition of market life. The Dow Jones Industrial Average has survived both the bond market shakeout and a near-doubling of short-term interest rates since February 4, falling less than 3.5 per cent since then.

The natural reaction of analysts is to juggle with valuation assumptions until they come up with something that suggests the market is cheap after all. Or they laud the wisdom of retail investors who support the current market level on a longer term view than that of professional fund managers. Yet there could be a simpler explanation for the perpetuation of this impressive high wire act – namely that US monetary policy, despite the recent rate increases, is still far from tight.

In today's deregulated banking markets, history is a poor guide to the scale of the interest rate rises needed to stop an economy that is growing faster than its sustainable long-run trend. The only safe assumption, in a world of fewer quantitative controls over bank lending, is that interest rates at their cyclical peak will have to be much higher than the post-war average.

Also suggestive is the accompanying chart of US bank lending. The latest quarter on quarter increase is the fastest for years; and in the six months to October outstanding industrial and commercial loans rose by more than 8 per cent. The growth hungry US banker is once again looking for opportunities to perpetrate folly. It may thus take more to rein in the US economy than the markets assume. If so, there could be a shock waiting for equities.

A more fundamental point is that US monetary policy is increasingly being framed as much in response to the aberrations of the banks as the state of the real economy. Moral hazard, in the shape of a deposit insurance system that delivers funds to the banks regardless of their lending record or prospects, has opened up a structural crack in the system. By loosening monetary policy excessively to bale out the banks in the present cycle, Mr Alan Greenspan, Fed chairman, not only fostered a bond market bubble; he also ensured more problems for the next cycle.

True, the novel fashion for pre-emptive interest rate increases will help mitigate the damage. Yet the undermining of prudential behaviour in banking is another factor making for bigger swings from peak to trough in the monetary cycle. The fault is not Mr Greenspan's. All cures will simply lead to further complications until the legislators are prepared to change the distorting incentives that drive bankerly behaviour. Investors, meantime, need to watch the banks very closely.

A second potential tank trap for forecasters is that they may underestimate the global synchronisation of markets. All the number crunching over corporate profits that is used to justify a further uplift in UK equities will be pointless if the US does to other people's equities what in 1994 it did to their bonds.

With Japan playing a much smaller part in portfolio outflows than in the 1980s, the US has again become the most important global influence. Gross equity inflows and outflows there are now running at between three and four times their combined level at the start of the decade. So the traditional Wall Street effect is magnified even further.

The financial crisis in Mexico offers a case in point, as well as being an early warning signal of what Fed tightening can do to foreign markets. It will put a temporary end to the emerging market fad. Data in the recent IMF World Economic Outlook showed that the huge flow of foreign capital into Latin America had not been accompanied by any increase in the ratio of capital expenditure to GDP. Foreign investors, like the banks before them, were simply financing consumption. Since the Mexican devaluation we also know that businesses with exclusively domestic revenues were being financed by dollar-denominated bond debt.

Much American money will thus be repatriated as unsophisticated bond investors discover the nature of currency risk. Much foreign equity money has already been repatriated, following the discovery that emerging markets are un-American, illiquid, often dominated by insiders and rickety in structure.

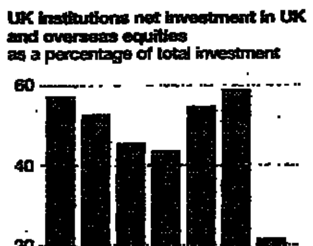
The homing instinct may also be prevalent in First World markets. The portfolio diversifiers who poured \$47.5bn (£30.4bn) into Japanese equities in the first half of 1994 merely puffed wind into a 1980s bubble that has yet to be fully deflated. They, and others, will become increasingly disillusioned with the failure of overseas investment to deliver much diversification – though not enough to stop markets indulging in synchronised panic.

Regulatory and other structural changes are reinforcing the parochial instinct. The maturity of British pension funds, for example, is finally being reflected in an exodus from equities (see chart), which includes net disinvestment from foreign equities. Meantime the leverage fad is at an end as bankers forcibly extract their clients from unfamiliar territory.

The successor fad is for anything plain vanilla. What could be more vanilla than a domestic bond with a high real yield when the bond market bubble has already been punctured? That is where the obvious if unexciting long-term value lies in this year's markets – provided, of course, the bonds are issued by a government capable of servicing the debt. The caveat used to apply to developing countries. As regular readers will know, it now applies in the First World too.

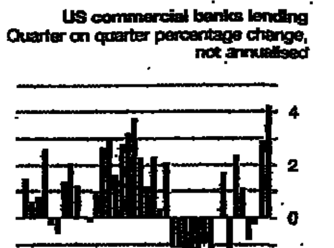
The homing instinct

UK institutions net investment in UK and overseas equities as a percentage of total investment



. Source: CSO, Financial Times

US commercial banks lending
Quarter on quarter percentage change, not annualised



Source: Barclays de Zoete Wedd

Total return in local currency to 29/12/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.04	0.10	0.10	0.16	0.08
Month	0.50	0.20	0.44	0.45	0.71	0.47
Year	3.75	1.81	5.25	5.63	8.00	5.13
Bonds 3-5 year						
Week	0.16	0.26	-0.64	-0.32	-0.13	-0.66
Month	0.48	0.70	-0.87	-0.93	-0.43	-0.39
Year	-3.05	-1.44	-1.01	-2.29	-0.41	-1.96
Bonds 7-10 year						
Week	0.26	0.15	-0.24	-0.86	-0.41	-1.31
Month	1.28	1.08	-0.53	-0.83	-0.75	-0.85
Year	-6.19	-4.14	-5.48	-8.64	-8.57	-7.83
Equities						
Week	0.3	0.6	-1.0	-2.2	-0.3	-0.6
Month	1.5	3.3	1.6	-2.0	0.2	0.5
Year	1.3	9.2	-6.5	-13.5	4.8	-7.6

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Commodities / Richard Mooney

Gold market looks for pointers

Gold Fields Mineral Services, which produces the authoritative annual survey of the global gold market, presents an interim "update" on Wednesday.

Last September GFMS said there were good reasons to believe that the gold price would break out of the relatively narrow trading range in which it appeared to be locked – either downwards or upwards. But this did not happen. For most of 1994 gold traded between \$370 and \$400 a troy ounce, and the industry will be looking for pointers from GFMS about what 1995 has in store.

The World Gold Council, like GFMS a producer-financed organisation, recently pointed out that rising interest rates were encouraging more gold-mining companies to hedge their future production and this appeared to be putting a "cap" on any price rise above \$400 an ounce.

This factor is also highlighted by Mr Ted Arnold, Merrill Lynch's analyst, in the financial services group's weekly futures report. He suggests more and more producers are looking to sell up to five years forward "if and when prices move into the \$382 area and above".

This should be enough to "cap" the market, says Mr Arnold, but, should the price rise to \$390 to \$400, there would be a big drop in demand from the Middle East and Asia and gold sales from the Middle East.

● London Metal Exchange dealers will be hoping for a lively start to the year when trading resumes tomorrow.

Leading LME contracts generally ended 1994 near their recent long-time highs, and dealers said last Friday that the lack of an end-year sell-off suggested that all the metal markets were likely to push higher in the new year, when speculative interest should pick up.

Copper, aluminium and nickel were the liveliest performers at the exchange in 1994, ending with gains of 75 per cent, 74 per cent and 69 per cent respectively.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 01.01.95: Pool purchase price £/MWh	Final Prices for Trading on 04.12.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.09	9.23	9.23
0100	32.19	18.00	21.37
0130	42.13	68.70	72.07
0200	42.13	68.70	72.07
0230	42.13	9.24	9.24
[illegible]	[illegible]	[illegible]	[illegible]
1300	32.33	47.00	50.37
1330	32.33	40.51	43.88
1400	10.31	35.47	38.84
1430	9.54	30.32	33.69
1500	9.54	30.32	33.63
1530	0.00	30.32	33.69
1600	9.09	10.13	10.13
1630	35.82	33.08	37.25
1700	37.22	36.20	39.57
1730	44.34	47.00	50.37
1800	44.34	47.00	50.37
1830	44.34	38.20	39.57
1900	37.22	36.20	39.57
1930	37.22	36.19	39.56
2000	37.22	36.19	39.56
2030	37.22	33.89	37.26
2100	37.22	31.04	35.01
2130	32.29	31.64	35.01
2200	32.29	30.42	33.60
2230	9.09	24.38	27.75
2300	8.96	10.00	10.00
2330	8.90	9.23	9.23
2400	8.99	9.19	9.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.01.95: Pool purchase price £/MWh	Final Prices for Trading on 05.12.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.07	9.22	9.22
0100	37.22	9.27	12.13
0130	48.00	16.00	18.86
0200	48.00	16.00	18.86
0230	37.22	9.24	9.24
[illegible]	[illegible]	[illegible]	[illegible]
1300	38.88	34.23	37.25
1330	38.88	32.53	35.50
1400	37.03	32.48	35.42
1430	31.68	31.22	34.15
1500	31.68	31.22	34.14
1530	38.13	31.06	34.74
1600	38.13	59.85	67.48
1630	42.46	158.80	191.77
1700	48.34	284.50	331.81
1730	49.22	331.54	378.38
1800	55.00	241.55	274.48
1830	54.30	111.01	126.34
1900	45.88	62.46	69.75
1930	37.82	48.05	50.56
2000	42.42	40.24	43.92
2030	37.79	37.11	40.04
2100	53.75	32.10	34.97
2130	36.13	32.08	34.94
2200	37.78	32.08	34.92
2230	27.97	30.10	32.96
2300	27.07	30.54	33.40
2330	27.97	9.29	9.29
2400	10.07	9.14	9.14

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.15pm Monday to Friday.
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Economics Notebook

A joust with the Bundesbank

The entry of Sweden, Finland and Austria into the European Union will breathe new life into a complex and potentially explosive debate among EU central bankers on Europe's monetary future.

For while Austria's monetary policy is closely aligned to that of Germany and the schilling is set to join the European Exchange Rate Mechanism, Sweden and Finland both have floating currencies and, like Britain, frame their monetary policies in the pursuit of explicit inflation targets.

That means Bank of England officials will find more like-minded colleagues in the councils of the European Monetary Institute (EMI) as this forerunner of the planned European central bank prepares the ground for a single European currency and monetary policy as part of economic and monetary union (Emu) later in this decade.

Mr Alexandre Lamfalussy, the EMI president, has set the ambitious goal of completing preparations for a "turnkey" European central bank and monetary policy by the end of 1996 so Emu can come into being by 1997, the first Maastricht Treaty deadline, if the political will exists.

Deciding the monetary policy for Emu is one of the main tasks facing the EMI. While appearing arcane, it is also probably the most contentious matter on the EMI's very full agenda: the type of monetary policy will determine how interest rates are set in a single currency Europe.

The current debate pitches the Bundesbank against the Bank of England. According to one EU central banker, this year will one of intellectual jousting. But it may also determine which way the decision eventually falls.

On the one hand is the Bundesbank approach of pursuing price stability and setting interest rates by following an intermediate monetary target. The Bundesbank was the first central bank to publish a monetary target in 1974, and it has done so ever since, although the nature of its target has varied over time.

In the process, the German central bank has developed enviable credibility as an inflation fighter. But as Mr Otmar Issing, Bundesbank chief economist and council member, admits, it has hit its monetary targets in only 10 of the past 20 years.

The Bundesbank approach has been pragmatic, particularly when it cut interest rates in the first half of 1994 while M3, its chosen aggregate, was massively overshooting the 4 to 6 per cent annual target growth range.

That overshoot damaged the reputation of the Bundesbank's policy abroad. But as the chart indicates, M3 growth slowed sharply in the second half of last year. By November annual M3 growth had slowed to 6 per cent above its level in the fourth quarter of 1993 and was back in the target corridor. This, and a fall in German inflation below 3 per cent, encouraged the Bundesbank last month to announce a new 4 to 6 per cent growth target for M3 in the year to the final quarter of 1995. Mr Hans Tietmeyer, the Bundesbank president, confirmed M3 was the "key reference variable for monetary policy".

Since Britain's forced exit from the Exchange Rate Mechanism in September 1992, the UK's monetary policy has been based on an explicit target for "underlying" inflation and interest rates set with reference to numerous economic indicators. The Bank of England looks two years ahead to prospective inflation and attempts to determine whether current policies and trends are compatible with its target for the retail prices index, excluding mortgage interest payments (RPIX), at present 1 to 2.5 per cent by the end of this parliament.

The Bank produces a quarterly inflation report to inform the public debate about inflation and guide the monthly monetary meetings between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the Bank governor. Although other factors played a part, last year's UK interest rate rises came in the months following an inflation report.

The new strategy has started well. Underlying inflation has been below 3 per cent for 14 months, the longest period since 1961. Inflation expectations have declined. But there are some doubts. Inflation targeting is imprecise and has yet to be tested over a full economic cycle. As indicated in the chart, the Bank's short-term forecasts about inflation have been too pessimistic in the past. The Treasury believes the UK inflation cycle has now turned. With growing upward pressure on prices, the UK will probably find it increasingly difficult to hit the 2.5 per cent inflation target in 1997.

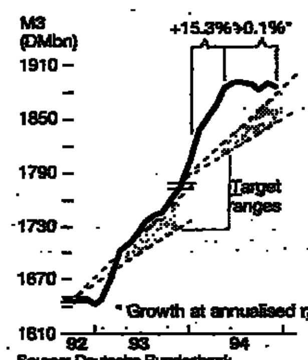
However, the UK experience is taken seriously on the Continent. Spain adopted inflation targetry last autumn. Moreover, Mr Tietmeyer felt it necessary to refer to the growing use of inflation targets abroad when announcing the latest M3 target, if only to reject the approach for Germany.

Resolving the debate over future EU monetary policy will largely depend on how the UK and Germany fare with their own methods of setting interest rates and controlling prices in the next 18 months. The arguments between the two appear finely balanced, prompting Mr Lamfalussy, among others, to wonder whether there could not be a compromise.

An alternative would be for the EU central bankers on the EMI council to agree that the European Central Bank should take the final decision on monetary policy once it has been set up in the third and final stage of Emu. That may seem messy, but it would provide more time to judge the respective merits of the German and UK approaches.

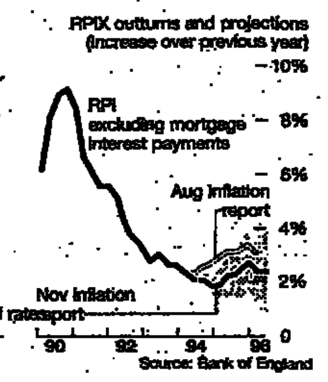
Peter Norman

German M3 versus...



Source: Deutsche Bundesbank

...UK inflation targeting



Source: Bank of England

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY DECEMBER 30 1994: US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY DECEMBER 29 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (69)	171.64	2.9	162.68	108.24	138.31	147.17	-10.0	3.91	174.21	165.61	109.77	140.45	149.14	189.15	161.21	165.02
Austria (18)	182.74	-1.2	173.18	115.25	147.26	147.19	-11.6	1.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (103)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (102)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (59)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (468)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (97)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (59)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Sweden (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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United Kingdom (204)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (513)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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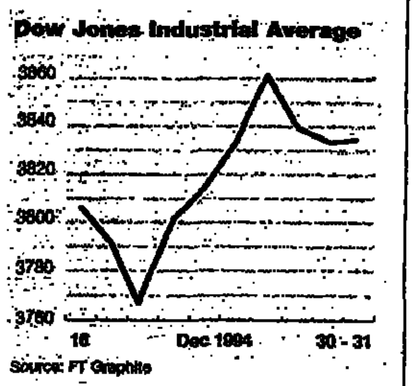
Europe (706)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (115)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (793)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1501)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (616)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (504)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (325)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1703)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2018)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1754)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2222)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Jobs data may be signal of Fed action



Source: FT Graphite

Market players will be looking to start the new year with a bang after last year's feeble finish that saw a late year-end rally cut short by uncertainty surrounding the financial crisis in Mexico. As trading begins tomorrow, the key question for investors is whether the Federal Reserve will raise interest rates again before the January 31 meeting of its open market committee.

The market may be shaky this week as investors return to work to sort through the implications of the drop in value of the Mexican peso and consider the possibility of another rate increase by the Fed.

A consensus on Wall Street holds that the Fed will boost rates in the first quarter of 1995, and Wall Street is hopeful the Fed will be able to slow growth without throwing the economy into recession.

However, Mr Robert Brusca, chief economist at Nikko Securities warns: "Soft landings have been as scarce as hens' teeth in the history of the Federal Reserve."

One signal of possible Fed action will come at the end of this week when the Labour Department releases jobs figures for December. A consensus of economists expects a slight increase in the unemployment rate – to 5.7 per cent from 5.6 per cent in November – but some believe continued jobs growth could push the figure down to 5.5 per cent.

S.G. Warburg economists believe the jobs data might spur the Fed to tighten monetary policy quickly. "If job growth proves as robust as we anticipate, the key December payroll report may prove the catalyst for a rare inter-meeting Federal Reserve policy adjustment," the bank said.

Another factor that could throw the market off would be a strong report of December business activity from the National Association of Purchasing Managers. Economists are divided about whether the index will show a modest increase or decrease, but most expect business activity to be close to the reading posted for November.

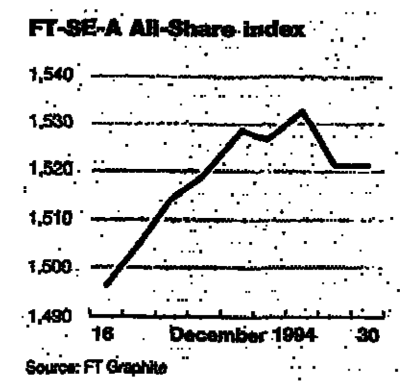
Analysts at Smith Barney think the NAPM index will edge down slightly to 59.0 due to decreases in the new orders and employment sub-indices. In November, the NAPM index hit a cyclical high of 61.2, the highest figure in more than 10 years.

Although the Federal Reserve Bank of Philadelphia reported slower economic activity for December, some economists still see an increase in the NAPM index because they do not believe trends in the north-east are representative of business activity in the nation as a whole.

Economists continue to see inflation at earlier stages in the economy. For example, most economists believe factory orders will rebound to 2.2 per cent for November.

LONDON — Steve Thompson

Looking for a lead from New York



Source: FT Graphite

After so many ill-fated attempts by the FT-SE 100 to breach the 3,100 level – and more importantly to hold above it – it is perhaps asking too much of the market to blaze a trail this week as the new year unfolds.

And there are precious few company results for the City's analysts, sales teams and market-makers to get their teeth into. Economic news, too, is fairly thin on the ground, with provisional M0 money supply figures for December one of the few important details due for release.

So, once again, the UK equity market will be seeking a lead from elsewhere and, as always, all roads lead to New York where a number of important economic news items are scheduled. Of these, the National Association of Purchasing Managers Index for December and the monthly non-farm payrolls, will be closely scrutinised for evidence on inflationary pressures.

Germany also comes into the big picture, with the Bundesbank Council meeting on Thursday to discuss monetary policy. No change is expected in German rates, but dealers were alerted to the potential for quick shifts in trends after French banks moved to increase their base rates last Thursday.

Left to its own devices, London could well make progress based on sound UK economic fundamentals, such as strong but not runaway growth, low inflation, an increasingly healthy balance of payments picture, a shrinking public sector borrowing requirement and rising corporate earnings and dividends.

Analysts are forecasting earnings growth of 13 per cent-plus and dividend growth of about 10 per cent.

A number of key sectors could provide the spark needed to ignite the rest of the market. The retailing giants will already have cashed up their tills and the City is looking for confirmation of initial soundings, which are said to have pointed to bumper sales, possibly even breaking previous records.

Top analysts caution against over-optimism, but nevertheless have generally shaken off the worst fears of late November-early December. Happily for bulls of the stores sector, the post-Christmas sales are said to have started very well. Storehouse, Dixons, Sears and Argos are expected to reveal Christmas trading trends shortly, followed by Allders, Kingfisher and Burtons.

Midnight last Saturday was the witching hour for the water stocks, whose protective ring fence in the form of the government's golden shares was dismantled. If recent speculation is to be believed, this could herald a bonanza of bid activity, possibly involving the regional electricity stocks – seen by many utilities analysts as takeover targets, especially after their own golden shares are removed on March 31.

Flood of international issuance set to continue

Capital markets' capacity could be put to the test

OUTLOOK 95

The capacity of the international capital markets to absorb growing volumes of equity issues may be put to the test this year. Despite some signs of indigestion last year, bankers are preparing to handle a string of deals in the first half of 1995, with companies ranging from European heavyweights such as Britain's PowerGen and National Power to emerging market hopefuls such as Russia's Gazprom vying for the attention of investors.

Figures from Euromoney Bondware and IFR Securities show that international equity issuance has remained at a historically high level, in spite of difficult conditions in the markets, with more than $45bn raised during 1994*.

According to Euromoney international equity issues accounted last year for more than 10 per cent of all capital raised through bond and equity issues. IFR shows that international equity issuance has increased by nearly four times since 1990.

Demand for equity capital is coming from two principal sources: the needs of the emerging economies of Asia, Latin America and increasingly Africa, the middle east and eastern Europe; and the continuing drive by governments in the developed economies to privatise, especially basic infrastructure and utilities businesses.

Last year saw a big jump in activity in Asia and the Far East, where – according to IFR – issuance rose from $7.1bn in 1993 to $12.4bn. The most significant increase took place in India, where 44 companies raised $2.9bn, 10 times the levels achieved in 1993. Fourteen Indonesian companies raised $1.2bn – although $775.6m of that was accounted for by the issue by Indosat, a telecommunications concern, in October. Likewise, Pakistan Telecom accounted for $718.5m of the $994.6m raised by local companies during the year.

Chinese companies raised $2.4bn (marginally more than the $2.2bn of 1993), and companies from South Korea (with issuance up from $352.2m to $1.2bn), the Philippines (up from $119m to $1bn) and Thailand ($658m to $979.3m) were all active.

Issuance by Latin American companies slackened during the year, falling to $4.61bn from $5.9bn in 1993. However the decline reflects the impact on the 1993 figures of one particularly big deal – a $2.3bn issue for YPF of Argentina – and masks an increase in the actual number of issues from 50 to 82. Everywhere apart from Argentina and Mexico – where issuance fell to $1.7bn from $2.6bn in 1993 – there was a significant increase in activity, with nine issues alone from Colombia and 11 from Brazil. Three companies from Peru and two from Uruguay also came to the markets.

In Europe, two big telecommunications issues took the eye. Denmark's Teledanmark raised $3bn at the end of April, while KPN of the Netherlands raised a further $1.93bn in June.

French companies were some of the bigger issuers, with $4.1bn ($3.4bn in 1993) raised during the year. A slice of Germany's Lufthansa was sold to investors in September and Scandinavia continued to make heavy demands on the markets. Eighteen Swedish companies raised $2.86bn (against $1.2bn in 1993) and 14 Finnish companies raised $1.3bn.

Richard Lapper

* *Euromoney and IFR present different figures for international equity issuance in 1993 so their data show different pictures of the year-on-year trend. According to Euromoney, issuance reached $49.9bn in 1994, compared with $36.3bn in 1993. IFR Securities reports international equity issues of $45.9bn, compared with $53.2bn registered for 1993.*

OTHER MARKETS

STRATEGY

There is a marked absence of corporate news planned in the coming week to stir the markets, while on the economic side, Thursday's Bundesbank council meeting is not expected to result in any change in key rates.

James Capel has said it expects the next move in rates to be up – but not until the second quarter of the year. However, in the absence of concrete developments, investors can always turn to the market strategists to provide inspiration for the week and the year ahead.

Baring Securities expects 1995 to be a much better year for equity investors. "Strong economies and strong stock markets rarely go together," it says. "Late 1994 and early 1995 will see the best performance from the world economy for a decade and correspondingly, some of the worst stock market performance. As world growth eases through 1995, equity performance will improve."

Baring warns that further US interest rate rises could leave equities 10 to 15 per cent lower over the next few weeks before a slowing, but still growing, US economy, rather than an explicit monetary easing by the Fed, releases sufficient liquidity to underpin, and ultimately raise, world share prices.

It recommends that equity investors should build exposure to Japanese shares. "For the second year running, Japan looks among the best major stock markets."

Baring says that emerging markets' portfolios should be overweight in southern and eastern Europe, the Indian subcontinent and sub-Saharan Africa. Within Latin America, it overweights Argentina and Venezuela and recommends that developed market equity portfolios should be overweight in Japan and underweight in the US.

The UK stands out as a clear favourite within Europe and is worth revisiting in spite of the political weakness of the government, says Baring. Monetary conditions remained buoyant and stock market exposure has fallen to more reasonable levels. It is also gradually increasing exposure to French equities while slightly trimming its weighting in Germany, although both markets remained overweight.

Paris has been finding favour elsewhere. Hoare Govett says that France and the Netherlands are its favourite markets on a six-month view, noting that Paris has underperformed consistently for the past two years.

UBS is another supporter, favouring France, Germany and Switzerland.

Other analysts expect that the market, which ended a bad 1994 down 17 per cent, will probably recoup most or all of its 1994 loss in the coming year and outperform the German equities market.

Solid investment and earnings growth, and low inflation forecast for 1995 would more than offset nervousness ahead of the French presidential election in the spring.

"We're going to go higher, but 1995 probably won't be a fantastic year for the market as a whole," says Mr Michael Diehl, at Banque Nomura France. "If we get a double-digit return from where we ended 1994, the market will be satisfied," Mr Diehl says, adding a forecast that the CAC-40 index would end 1995 at 2,200, which would leave the index 68 points below where it stood a year ago.

The coming year will see "the return of reason to the market," says Mr Eric Taze-Bernard at Indosuez Asset Management, although after the market's poor performance in 1994, he thinks investors will remain hesitant for a time.

Mr Jerry Evans at Kleinwort Benson says: "We've seen France rejected this year in favour of such markets as Germany and Sweden. At the same time, the French market suffered from new issues, as part of the government's share privatisation programme, which kept people away."

He predicts that investors will switch next year from German to French equities, attracted by forecasts of an 8 per cent rise in business investment, a 3 per cent economic expansion and 40 per cent corporate earnings growth in France. "You could get a switch later in the year to the pre-1992 situation, where the French market was higher than the German market."

TOKYO

With no trading until Wednesday, most investors are expected to remain in holiday mood, and absent from the market until next Monday, *writes Emiko Terazono.*

However, with the Year of the Dog – which has been just that for many Japanese investors and brokers – now safely behind them, many market participants are hoping to begin the Year of the Boar on a more positive note.

Since the Tokyo Stock Exchange was established in 1949, the Years of the Boar have brought luck to investors. Japanese shares have performed consistently well only in the Year of the Boar and the Year of the Rat which follows it in the astrological calendar.

UBS in Tokyo notes that the Topix index of all first section stocks rose by 79 per cent in 1959 and 1960, 170 per cent in 1971–72 and 54 per cent in 1983–84.

Compiled by Michael Morgan

EMERGING MARKETS: This Week

The Emerging Investor / Matthew Kaminski

A jump-start for the instant markets

On Riga's imposing Cathedral Square, the fin de siecle stock exchange building is under reconstruction. After five decades, Latvia's national exchange will return next year to its pre-war home.

Latvia is joined by its Baltic neighbours, Estonia and Lithuania, in the drive to set up a well-regulated and stable equities market. The legal framework is in place or in draft, economic reforms are on course and returns in the small countries potentially large.

Lithuania, the biggest in size and population, is at present the only country to have a functioning secondary market. Monthly turnover at the Vilnius stock exchange, which opened 14 months ago with only 19 securities, jumped from Lts4.75m ($1.19m) in August to Lts13.37m in November on 218 securities, mostly banks and investment funds which capitalised on a successful mass voucher programme that put 80 per cent of state property in private hands.

Warsaw's exchange also started modestly before rising 700 per cent in real dollar terms last year. Yet, while the returns are attractive, the slope is unlikely to be as steep in Vilnius. Foreign investment so far has been disappointing at about $150m this year. "I don't think we have very much price speculation, like Warsaw," says Ms Dalia Jasulaitytė, a member of the stock exchange board.

Mr Alexander Levinsonas, a partner at Coopers & Lybrand, also notes that Lithuania has for months failed to pass auditing legislation that would force companies to report on a standardised system.

The government's bond issues are, at present, surer bets: six short-term Treasury bills currently give a 19.6 per cent annualised return.

Fixed income investments are also the best and for now the only option in Latvia. Government treasury bills offer 23 per cent annualised return, although only 30m were issued. The banking sector in Riga, the region's largest city and pre-war financial centre, is booming and offers high interest rates, with the implied risks. Deposit certificates at Deutsch Lettische Bank stand at 24 per cent, but less established ones offer 90 per cent.

"I would create a small portfolio on bank deposits, similar to junk bonds," says Mr Michael Heukels of Deutsch Lettische. "It wouldn't hurt to put some money here. It's not as chaotic as Russia. But it's Latvia, and institutional investors are not that interested yet."

Size is not the only deterrent. Many western investors do not wish to play by eastern rules. "What it comes down to is a lack of credible partners," says Mr Anthony Tse, formerly with LDB Securities, a Riga-based investment fund listed on the Irish Stock Exchange.

New western banks such as Société Générale slowly setting up offices in Riga in the future can serve as custodians – although now the combined capital of all Latvia's banks, at around $150m, is the minimum required by a single custodian in the US. But banking, boosted by capital flight from Russia, is the country's regional niche.

Ten best performing stocks				
Stock	Country	Friday 30/12/94	Week on week change $	%
Sui Gas North	Pakistan	1.3244	0.2261	20.58
Fomento Economico Mexicano	Mexico	2.6396	0.4364	19.81
Aracruz Celulose (Pfd)	Brazil	2.7143	0.4048	17.53
Companhia Vale Do Rio Doce	Brazil	0.1913	0.0271	16.53
Yue Loong Motor	Taiwan	0.8825	0.1175	15.36
Peru-Pacifico	Peru	1.1921	0.1402	13.33
Pacifico Peruano Suiza	Peru	36.7584	3.2551	9.72
Seguros Tranquilidad	Portugal	14.6357	1.2797	9.58
China Airlines	Taiwan	1.8411	0.1559	9.25
Indus Motor Company	Pakistan	0.8775	0.0721	8.95

Source: Baring Securities

An equity market is the missing piece. Latvia ended its first international tender with 44 companies up for sale and, with a voucher scheme for Lat1.7bn ($884m) on offer, the government claims 75 per cent of state property will be off the books by the end of 1995.

"We are not an emerging but an instant market," says Mr Karlis Cerbulis, president of the Riga Stock Exchange. "We have to go from a non-existent situation to a managed, organised securities market." A secondary market will be opened in a few months "as long as the privatisation of Latvia's industrialised economy gives enough to trade".

The market will complement the existing and well-functioning commodities exchange, trading Russian raw materials, and Latvia's other attractions, including its strategic trade location with good east-west routes, its openly convertible and stable currency, and its low inflation.

An interesting longer-term idea is the option for companies to be listed on one Baltic stock market but traded on both, as with Singapore and Kuala Lumpur. Riga and Vilnius will both be using the Paris bourse model, which eases cross-listing.

Stock markets are driven by economic growth; all three Baltic economies are recovering, with growth ranging from 1 per cent of gross domestic product in Lithuanian to 6 per cent in Estonia. But they are still only recovering.

The currency regimes are intended to attract western investors. The Latvian lat is floating, fully convertible, and appreciating against the dollar. Lithuania and Estonia have pegged their currency to the dollar and D-Mark respectively. So far, both governments say devaluation is not imminent – the Estonian constitution forbids it – but political pressures may heighten in the future.

Estonia, ironically, is the former Soviet Union's economic success story, attracts the bulk of western investment but has the least well developed equity markets. Local and foreign capital has gone into companies, via Estonia's Treuhand-model privatisation scheme, or abroad. Its hands tied by a currency board, the central bank has also been unable to check an upsurge in inflation fed by price increases on public utilities and by the inflow of foreign capital caused by the doubling in exports and investment.

To jump-start the market, a voucher scheme was initiated last month to sell off minority stakes in 40 large companies holding an estimated EKr1bn (DM125m) in equity.

For now, Estonia's market lacks liquidity. As a result, says Mr Henrik Igasta, an analyst at the Exchange Association of Estonia, "the only motivation for owning securities is their high yield, but in an inflationary economy people prefer investments in property. Yet once this privatisation increases the list of securities issues, companies in desperate need of capital will finally understand that bank loans are not the only form of external financing."

Hansa Bank, Estonia's largest, issued 26 per cent of its total outstanding shares nominally worth EKr97.5m. With no secondary market in Estonia, the bank plans to cross the Gulf of Finland and list on the Helsinki Stock Exchange.

The exceptions are 13 investment funds. The single closed-end type is the Estonian Investment Fund, with its 20 security issues – nine bond, nine equity, one deposit certificate and one issue of investment fund shares – for a total volume of EKr383m as of September. These funds are the country's future institutional investors.

The momentum may hasten the opening of Estonia's stock exchange next year. "The capital market is just about to boom," says Mr Arho Anttila of Siar Bossard. "Lithuania moved fast, but it lacks the strategic foreign investment you see in Latvia and Estonia."

Mr Dmitry Akhintiev, of Moscow's Aktiv investment fund, counters that the Baltics will always remain too small. Besides Russia, "Ukraine is the only other genuinely attractive financial frontier".

News round-up

■ Shanghai

The Shanghai Stock Exchange has fined four members Yn50,000 each for trying to fix treasury bond spot trading, *local agencies report.*

The exchange ruled that prices traded by the four members would be excluded from the weighted averages.

■ Prague

The Prague stock exchange will resume trading in stocks and bonds again on Thursday after a break of nearly three weeks. The PX-50 index ended the year at 557.2 on December 16, up 7.8 points but well below its base of 1,000 set when launched in April.

■ Istanbul

The Istanbul Stock Exchange plans to lift the number of stocks used in the calculation of the composite, industrial and financial indices from today and update them on a quarterly basis in 1995.

The number of stocks in the composite index will go up to 100 from 80, while the industrial index and the financial indexes will include 78 and 22 stocks, up from 64 and 16, respectively.

■ Taiwan

Taiwan formally inaugurated a computerised OTC Securities Exchange last Friday and officials predict a rapid expansion for the exchange with 100 expected listings next year.

● The country's SEC has approved the conversion of Convertible Bonds into Global Depository Receipts with immediate effect.

The SEC also said that it hoped to secure an arrangement within three months under which CBs could also be converted into stocks on the local stock exchange.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Baring Securities emerging markets indices							
Index	30/12/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (301)	158.03	+1.57	+1.01	-16.33	-9.37	-10.38	-6.16
Latin America							
Argentina (20)	86.11	-0.80	-0.92	-8.77	-9.24	-29.27	-25.37
Brazil (21)	209.37	+8.57	+4.27	-11.44	-5.18	+69.72	+49.93
Chile (12)	211.57	+2.53	+1.21	-16.21	-7.11	+64.03	+43.40
Mexico (25)	97.63	-0.48	-0.49	-45.37	-31.73	-63.64	-39.46
Peru(16)	848.67	+8.11	+0.96	-23.66	-2.71	+272.58	+47.32
Latin America (94)	138.77	+2.12	+1.55	-27.13	-16.35	+10.47	-7.02
Europe							
Greece (16)	86.99	+0.33	+0.38	+3.06	+3.65	+3.90	+4.70
Portugal (18)	116.28	+0.74	+0.64	-1.89	-1.60	+4.15	+3.70
Turkey (21)	76.11	-3.75	-4.70	-7.49	-8.96	-85.60	-52.93
Europe (55)	97.70	-0.34	-0.35	-1.40	-1.41	-14.54	-12.95
Asia							
Indonesia (26)	133.69	-0.19	-0.14	-6.64	-4.73	-37.35	-21.84
Korea (23)	139.88	-1.61	-1.14	-13.36	-8.72	+30.18	+27.51
Malaysia (23)	210.86	-0.56	-0.26	-5.81	-2.68	-42.19	-16.67
Pakistan (11)	106.20	+5.10	+5.05	-4.09	-3.71	-5.49	-4.92
Philippines (12)	262.13	-2.79	-0.98	+3.91	+1.41	-40.35	-12.51
Thailand (25)	251.64	+0.73	+0.29	-0.59	-0.23	-11.91	-4.52
Taiwan (32)	184.15	+7.08	+4.00	+18.54	+11.20	+30.44	+19.81
Asia (152)	210.62	+1.13	+0.54	-0.64	-0.30	-10.80	-4.88

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES — Philip Gawith

Traders start year in cautious mood

Currency traders and investors will return to their desks this week with high hopes, but muted expectations.

Swiss Bank summed up the cautious mood when it predicted 1995 would be the year of the "extremely carefully selected opportunity". This follows the year of the "carefully selected opportunity" in 1994, when traders bemoaned the lack of trends.

This week, markets will kick off with a mixture of the old and the new. The non-farm payroll, out on Friday, will present traders with familiar concerns about US inflation, monetary policy and the dollar.

Some stronger than expected prices data last week has renewed fears that US monetary policy may be too lax. These worries could undermine the dollar, as they did in 1994.

Developments in Mexico, and Latin America generally, could also have a bearing on the dollar. The currency could come under pressure if governments are forced to sell dollars to prop up their own currencies.

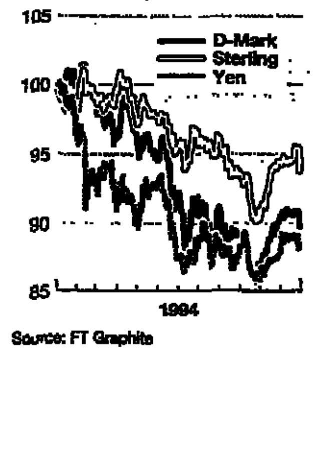
Elsewhere, markets will be watching developments in European interest rate markets, and whether currencies like the franc, lira and peseta continue to weaken.

Short term interest rate futures in France, Italy and Spain fell quite sharply last week as pressures on their currencies led markets to discount the prospect of higher rates. All the currencies also finished the year at or near record lows.

In all three countries currency weakness can be linked to political instability. In Italy, the main question, following the resignation of the Berlusconi government, is how long the hiatus will be until a fresh government is elected. Analysts believe that most bad news is already in the market.

In Spain, by contrast, the peseta is arguably more vulnerable since the scandal surrounding alleged government "dirty tricks" appears still to have some way to run.

The franc gained some support from the 30 basis point rise in commercial bank rates to 8.25 per cent.



Source: FT Graphite

WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins

The old year ended with more of a whimper than a bang in the US credit markets on Friday. Amid thin trading on the eve of the holiday weekend, Treasuries drifted lower as a soft dollar and a strong reading from the Purchasing Management Association of Chicago prompted selling. The benchmark 30-year bond slipped 5/32 to 95 11/16 to yield 7.87 per cent.

Today the market remains closed; but tomorrow the Treasuries market will get its first data of 1995 with the publication of the National Association of Purchasing Management's barometer of manufacturing activity in December.

Salomon Brothers predicts a rise in the index to 62, its loftiest level in 11 years.

Further clues to the pace of business activity will come from the figures for factory orders, shipments and inventories on Thursday.

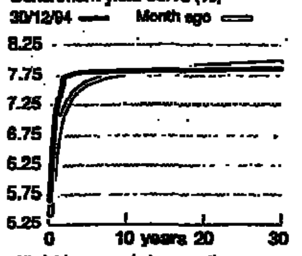
But the most closely-watched figures of the week will be the employment data for December, due out on Friday.

According to the MMS International, the consensus forecast is that non-farm payrolls rose by 260,000. But if Salomon Brothers is right and the figure grew by 325,000, that would take the cumulative 1994 jobs gain to its highest in 10 years – so adding mightily to the pressure for another turning of the monetary screw early in the new year.

US

Benchmark yield curve (%)*

30/12/94 —— Month ago ══



*All yields are market convention
Source: Merrill Lynch

LONDON — Peter Norman

Politics rather than economics are likely to dominate the market for UK gilts in the early part of this year with the weakness of Mr John Major's government outweighing sound economic fundamentals.

However, traders returning to work tomorrow will have two indicators to consider that could revive fears of inflation. Following news last week of an acceleration in the annual growth rate for notes and coin in circulation, the City's consensus forecasts suggest that provisional figures for M0 money supply in December will show continued strong year-on-year growth of 6.9 per cent.

There are also fears that tomorrow's UK purchasing managers' survey for December will highlight potential inflationary pressures, with the PMI price index around November's high level of 72.

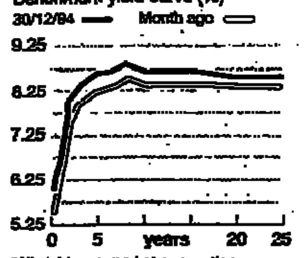
Attention will then shift across the Atlantic. According to Mr Adam Chester, bond strategist at Yamaichi International in London, the major focus for the UK and other markets will be Friday's US labour market data and the December non-farm pay-roll figure in particular.

Although analysts expect UK gilts to perform better in 1995 than last year, there were few hopes that Friday's modest price rise in shortened pre-holiday trading presaged a longer term recovery.

UK

Benchmark yield curve (%)*

30/12/94 —— Month ago ══



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — Andrew Fisher

German bond traders will have greeted the end of the old year with a sigh of relief after seeing yields move up so sharply. BHF-Bank said the German bond market's return was negative in 1994 – with its performance index down by 0.8 per cent – for the first time since it started calculating its bond average in 1967. This was after a very strong performance in 1993.

But while 1995 is likely to see the market move into less troubled waters, international concern about inflation remains. With interest rates moving up around the world, Germany will find it hard to buck the trend. So far, the inflation picture looks favourable. But import and producer prices have been rising more steeply, so the Bundesbank will keep a watchful eye on the extent to which economic growth leads to renewed inflationary pressures.

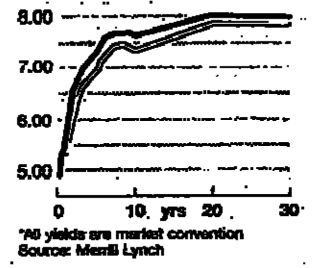
It is satisfied, for the moment, with the slowdown in money supply growth, though the shift of assets into money market funds has helped. But the central bank is determined to hold federal, state and local authorities to their tougher budget line and to convince wage negotiators of the need for moderation.

So, as the Bundesbank is fond of saying, it is too early to sound the all-clear – on inflation, on money supply, and thus on the need to raise interest rates.

Germany

Benchmark yield curve (%)*

30/12/94 —— Month ago ══



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

Further evidence last week of a subdued economic recovery and continuing deflation has cheered Tokyo's bond market participants, and comments by Mr Yasuo Matsushita, the new Bank of Japan governor, on the fragile nature of the recovery have eased fears of a tightening in short-term interest rates.

While trading – which begins on Wednesday – is expected to be slow this week, reduced expectations of a strong economic rebound may provide support for investor confidence.

"The volatility of the JGB yield has returned to normal levels," says Salomon Brothers in Tokyo. In addition, bond yields, having not risen for several months, are likely to encourage institutional investors, which are still maintaining a risk-averse stance towards investment due to the fall in unrealised gains on securities holdings.

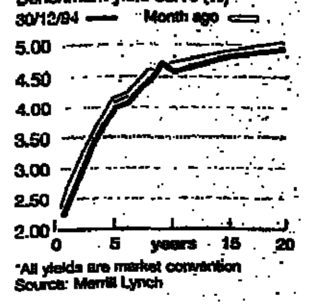
For the first few months of this year, investors are likely to focus on the stock market, which could once again be depressed by profit-taking before the March fiscal year-end. The bond market, which suffered losses during last March and June, is also vulnerable to similar moves.

However, many investors see such yield movements as unjustified by economic fundamentals, and many analysts expect low inflation and the weak recovery to prevail over such "anomalies".

Japan

Benchmark yield curve (%)*

30/12/94 —— Month ago ══



*All yields are market convention
Source: Merrill Lynch

The resilience and resourcefulness of borrowers in the international bond markets last year bodes well for 1995, says **Graham Bowley**

Continued flexibility by issuers the key to success this year

OUTLOOK 95

A record-breaking year in the eurobond market, 1993 was always going to be a hard act to follow. But nobody could have foreseen just how difficult 1994 was going to be.

Investors, borrowers and underwriters all suffered from the extremely volatile market conditions, as rising interest rates and inflation and strong economic growth sent bond prices around the world tumbling and yields climbing inexorably upwards.

Despite the fierce market conditions, a total of $423bn of new international bonds was issued in 1994, a drop of only 4.3 per cent from the record volumes of 1993, according to Euromoney Bondware. This is testament to the resilience and resourcefulness displayed by borrowers last year, many of whom turned to new and innovative bond structures and the more unusual currency sectors to target the pockets of investor demand that still remained.

This bodes well for 1995, for although US interest rates are nearing their peak, elsewhere in the world the general theme will still be that of growing economies and rising interest rates. Borrowers will have to be as flexible in their borrowing strategies in 1995 as they were last year.

The volume of new international bonds denominated in US dollars rose by 6.8 per cent, to $166bn, a reflection of the tendency in times of uncertainty for investors to flee from "peripheral" currencies – those most prone to inflation and devaluation or where the country has a high stock of national debt – to "core" currencies, such as the dollar.

But perhaps the most startling trend in 1994 was the rapid growth of bond issues denominated in Japanese yen, a result of the strong appetite among Japanese investors for yen-denominated assets issued abroad. Yen issues rose by 57.7 per cent in 1994 to $71bn, from $45bn in 1993.

Japanese investors, burnt by foreign exchange losses in the past, were reluctant to expose themselves to further currency losses in 1994. In addition, with the Japanese economy still only at the beginning of its recovery and with little upwards pressure on interest rates, the Japanese government bond market was relatively stable throughout 1994 after the initial sell-off at the beginning of the year.

It was this willingness among Japanese investors to continue lending on international markets which meant that many borrowers suffered less from the bear market than investors and underwriters.

"This phenomenal trend was the pressure-release valve," said Mr Charlie Berman, a director of capital markets at Salomon Brothers. "Although 1994 was a difficult year for many borrowers, it was not a catastrophic year – largely because of the demand for yen-assets from Japan."

In fact, "despite all their problems, most borrowers have ended a year with their borrowing programmes completed at a decent cost", he said. "Even though interest rates are higher, they have borrowed money and their borrowing costs have risen by only a few basis points."

On the other hand, investors, particularly institutional investors, and the investment banks which underwrote the bond offerings had a harder year, hit by falling prices.

"This has been a brutal year," said one bond dealer at a US bank in London. "Our role as market-maker and as a provider of liquidity meant that we lost a lot of money as we were forced to buy securities in a falling market."

Japanese investors may hold the key to the eurobond markets in 1995. Mr Mathew Cormack, at Nikko in London, thinks the crucial question likely to dominate the eurobond market this year is whether Japanese investors will turn away from yen assets and begin to buy paper denominated in other currencies.

That will depend to a large extent on the yen-dollar exchange rate, according to Mr Steve Apted, also of Nikko. "If the dollar begins to strengthen then Japanese investors may start to buy dollar-denominated bonds. We will then begin to see a lot of dollar-denominated paper targeted towards Japan," he said. "Until then, however, we will continue to see heavy volumes of euroyen issuance."

Another notable theme in 1994 was the flood of new issuance in the floating-rate note, or FRN, sector. The coupon paid on an FRN moves in line with short-term interest rates, providing protection for the investor in a rising interest rate environment. As a result, while the volume of fixed-rate new issuance fell by 15 per cent last year to $296bn, the volume of FRNs rose to $105bn, an increase of 42 per cent.

However, not all FRNs issued last year performed well. Many of the large dollar offerings launched by sovereign borrowers fell in price over the year.

"FRNs have been an interesting trend but not all of them have been an unqualified success," said Mr Apted.

In a year in which prices were so volatile, institutional investors, which typically favour higher quality assets and care more for price, were for the most part on the sidelines, badly burnt by falling prices.

Instead, it was retail investors, who tend to hold bonds to maturity and so care more for yield than price, that drove demand. As a result, many of the bond offerings targeted at institutional investors faired badly.

Nevertheless, the trend towards greater FRN issuance looks set to continue. "With interest rates still rising, the FRN sector is likely to remain popular with investors," said Mr Paul Hearn, managing director and head of European bond syndicate at J.P. Morgan.

TOP INTERNATIONAL BOND LEAD MANAGERS

Manager	1994 $bn	Rank	%	Issues	1993 $bn	Rank	%	Issues
Merrill Lynch	35.44	1	8.38	169	18.80	5	4.25	100
CSFB/Credit Suisse	27.85	2	6.58	145	25.00	3	5.65	147
Goldman Sachs	23.26	3	5.50	99	27.17	1	6.14	98
Swiss Bank Corp	22.18	4	5.24	138	15.88	10	3.59	113
Nomura	21.75	5	5.14	197	19.07	4	4.31	108
UBS	17.09	6	4.04	81	18.44	7	4.17	134
Lehman Brothers	16.86	7	3.98	91	17.45	8	3.95	80
Morgan Stanley	16.59	8	3.92	113	18.46	6	4.17	81
JP Morgan	16.16	9	3.82	91	12.56	12	2.84	60
Daiwa	15.22	10	3.60	100	11.20	14	2.53	89
Industry totals	423.05		100.0	3052	442.24		100.0	2600

Full credit to book runner. Source: Euromoney Bondware

In particular, "the D-Mark FRN market will be interesting, with the new money market funds in Germany likely to be large buyers".

This generally dismal performance by highly-priced, low-yielding FRN issues marks a wider trend throughout the eurobond market – to a large extent, 1994 was the year of the corporate borrower rather than the sovereign borrower, just as it was the year of the retail investor, rather than the institutional investor.

While sovereign issuers were active throughout 1994 – many, such as Sweden, with large borrowing requirements to fund – their bond offerings were less successful than the deals done by corporate borrowers. The latter, with lower credit ratings, offered investors more attractive yields compared with underlying government bond markets.

Thus a flood of high-quality and high-profile corporate names, particularly from the US, accessed the eurobond market to take advantage of strong retail investor demand for high yielding assets.

Companies like AT&T, Walt Disney, Heinz, Johnson & Johnson and PepsiCo secured funding at a cost significantly below that on offer in the US domestic bond market.

In particular, these borrowers targeted the short-end of the dollar sector, where retail investor interest was at its most intense after a sharp rise in short-term interest rates.

Mr Eden Riche, a syndicate manager at Morgan Stanley in London, said: "What has been remarkable this year has been the resilience of retail investors. In a year in which institutions have been wary of getting involved, many of the deals, particularly in the last half of the year, were sold to retail investors and this is reflected in the improved fortunes of the banks with large Swiss retail networks."

Many think this trend will continue into 1995. "There is still a strong bid among retail investors for short-dated dollar paper," said Mr Hearn. "That will continue, and institutional investors who are already returning to the market will participate more strongly."

A constant stream of redemptions will provide a significant boost to this process – Mr Hearn estimates that $20bn is due for redemption in the dollar sector in the first three months of 1995.

This year could also see a continued pick-up in corporate issuance as faster economic growth fuels the need for capital in the corporate sector. At the same time, sovereign borrowers may come to rely less on the international bond markets as their public finances improve.

However, Mr Riche thinks sovereign borrowers – such as Sweden, Spain, Finland, and Austria – will continue to play an important role in the euromarkets, while many corporate borrowers may turn to the syndicated loans market, where intense competition among banks hungry for new assets has driven pricing down to extremely fine levels.

Several borrowers have already been tempted away from the eurobond market by the relatively cheap and flexible financing on offer.

"This may well put pressure on spreads in the euromarkets," said Mr Riche.

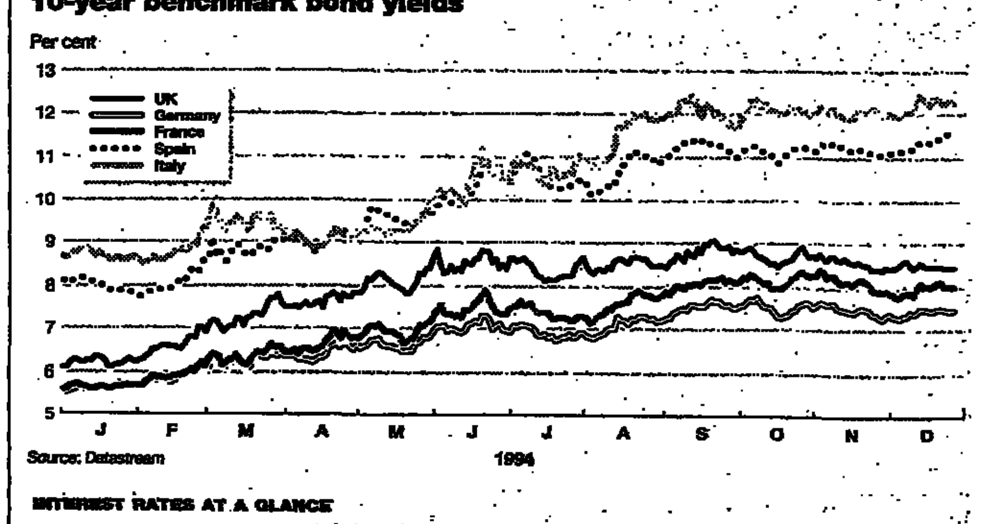
Mr Hearn of J.P. Morgan thinks uncertainty surrounding derivative instruments, brought to a head by the losses at California's Orange County, may mean those borrowers who have relied heavily on structured notes will have to look elsewhere for funds. "That potentially means more plain vanilla, main-line bond issuance," he said.

However, perhaps the most important development last year was the arrival in the euromarkets of the large US agencies, such as the Federal Home Loans Mortgage Corporation and Federal National Mortgage Association.

These agencies, which have vast borrowing programmes which would dwarf even the large European sovereign borrowers, are beginning to turn to the international markets for their funding needs, with significant implications for the eurobond market.

10-year benchmark bond yields

Per cent



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.75	1.75	4.50	6.40[1]	7.50	6.25[2]
Overnight	5.00	2.22	5.00	5.28	8.10	4.00
Three month	5.69	2.34	5.06	6.08	8.81	6.56
One year	7.20	2.50	5.75	6.95	10.38	7.87
Five year	7.83	3.84	7.30	8.06	12.43	8.65
Ten year	7.84	4.59	7.60	8.29	12.40	8.71

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	99-17	99-05	-0-10	99-22	98-31	127,870	343,200
Jun	99-08	98-26	-0-10	99-10	98-20	1,782	13,981
Sep	98-17	98-18	-0-11	98-18	98-14	385	1,896

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
SMM Co.(b)‡	719	Jan.1997	(b1)	100.00	-	-	JP Morgan Securities
Nippon Credit GD 1(c)★	max150	Feb.2000	(c1)#	100.00	-	-	Nippon Credit Intl.
Unibanco Leasing(d)‡	50	Dec.1997	(d1)	99.75R	-	-	CS First Boston
Bank of Seoul(f)‡	100	Jan.2000	(f1)	100.00	-	-	Std. Chartered Asia
Swedish Export Credit	100	Jan.1997	zero	86.40	7.583	-	Daiwa Europe
LTCB of Japan(k)‡	65	Jan.2005	(k1)	101.55	-	-	LTCB International
YEN							
Korea Development Bank	20bn	Aug.1997	zero	91.94R	3.418	-	Yamaichi Intl.(Europe)
Invelmer(s)★	10bn	Mar.1999	4.15	100.00	-	-	Yamaichi Intl.(Europe)
D-MARKS							
Depfa Finance(a)	250	Dec.1998	7.375	undisd.	-	-	Commerzbank
FRENCH FRANCS							
Depfa Finance, Tranche A‡	1bn	Jan.1997	(g)	99.93R	-	-	CCF
Depfa Finance, Tranche B‡	1bn	Jan.1997	(h)	99.94R	-	-	CCF/ CDC
Soc. Gén. Acceptance‡	1.5bn	Jan.1998	(i)	100.00	-	-	Société Générale
SWISS FRANCS							
Crédit Local de France★	125	Jan.1999	5.50	102.55	4.784	-	Swiss Bank Corp.
Rabobank Nederland	200	Jan.2002	5.25	102.85	4.795	-	Swiss Bank Corp.
LUXEMBOURG FRANCS							
Rabobank Nederland(e,s)	3bn	Dec.2000	7.75	101.85	7.36	-	BGL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ♦With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Block trade. Fungible with DM750m. Plus 34 days accrued. b) Tranche 2 of 5-tranche deal. T1: $41m, 7.91%sa. T3: S$1½m, 3-mth Libor +12½bp. T4: SFr45m, 3-mth Libor +15bp. T5: DM40m, 3-mth Libor +15bp. Common terms: par issue price, Jan.97 maturity. b1) 3-mth Libor +12½bp. Short last coupon. c) Credit enhanced performance bonds. c1) Coupon payments linked to performance of group of Multiple Trading Advisors and investment returns on authorised securities. d) Acting jointly and severally with Unibanco Uniao de Bancos Brasileiros. d1) 6-mth Libor +330bp. e) Increased from LFr1½bn launched on 12/12/94 at 102.05%. f) Puttable in 3 yrs at par. f1) 6-mth Libor +300bp. g) 3-mth Pibor +30bp, max 8%. Long last coupon. h) 3-mth Pibor +50bp, max 7.7%. i) 3-mth Pibor +150bp. Interest accrues on days Pibor is within 100bp range (mid-point is reset quarterly at average of spot and implied forward rates). k) Tranche A. Callable on 27/1/98 at par. k1) 6-mth Libor +50bp to 27/1/98 and 9½%pa bid thereafter. k2) Tranche B: $20m, 27/1/00, 8½%pa. 101¼%, callable on 27/1/97 at par. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 29 / Sch)

BELGIUM/LUXEMBOURG (Dec 29 / Frs.)

DENMARK (Dec 30 / Kr)

FINLAND (Dec 29 / Mkk)

FRANCE (Dec 30 / Frs.)

GERMANY (Dec 30 / Dm.)

ITALY (Dec 30 / Lire)

NETHERLANDS (Dec 29 / Fls.)

NORWAY (Dec 30 / Kroner)

SPAIN (Dec 30 / Pts.)

SWEDEN (Dec 30 / Kronor)

SWITZERLAND (Dec 29 / Frs.)

PACIFIC

JAPAN (Dec 30 / Yen)

HONG KONG (Dec 30 / H.K.$)

MALAYSIA (Dec 30 / MYR)

SINGAPORE (Dec 30 / S$)

AUSTRALIA (Dec 30 / AustS)

NORTH AMERICA

CANADA

TORONTO (Dec 30 / Can $)

4 pm close

MONTREAL (Dec 30 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Dec 30 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO – MOST ACTIVE STOCKS: Friday, December 30, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Pacific Metals	3.4m	548	-12	Oki Electric	1.8m	704	-28
Sakai Ovex	2.8m	752	-6	Matsushita Elec	1.6m	1640	+10
Konica Corp	2.2m	840	+4	Toshiba Corp	1.5m	723	+8
Nippon Soda	1.8m	676	-12	Mitsui M&S	1.5m	444	-3
Nippon Steel	1.8m	375	+2	Mitsubishi Heavy	1.3m	760	+3

INDICES

		Dec 30	Dec 29	Dec 28	1994 High		1994 Low	
Argentina								
General (29/12/77)	(u)	15855.62	15359.39		25470.40	16/2/94	15313.31	27/12/94
Australia								
All Ordinaries(1/1/80)		1912.7	1932.8	1935.5	2340.60	3/2/94	1842.00	12/12/94
All Mining(1/1/80)		927.3	937.9	937.3	1136.10	3/2/94	879.10	12/12/94
Austria								
Credit Aktien(30/12/84)	(c)		335.17	398.05	460.88	3/2/94	376.94	25/10/94
Traded Index(2/1/91)	(c)		1055.24	1056.04	1222.28	1/2/94	1011.38	6/8/94
Belgium								
BEL20 (1/1/91)	(c)		1389.64	1399.73	1542.85	9/2/94	1338.39	7/10/94
Brazil								
Bovespa (29/12/83)	(c)		43539.0	41953.0	55110.00	13/9/94	3800.90	3/1/94
Canada								
Metals Minls♦(1975)		4153.46	4127.15	4120.02	4278.02	20/10/94	3299.06	20/4/94
Composite♦ (1975)		4213.60	4202.70	4201.50	4809.90	23/3/94	3869.90	24/6/94
Portfolio§§ (4/7/83)		2045.79	2049.23	2053.05	2162.89	1/2/94	1868.48	28/6/94
Chile								
IPGA Gen (31/12/80)		5426.4	5396.3	5403.8	5754.40	21/11/94	3901.20	4/4/94
Denmark								
CopenhagenSE(3/1/83)		349.10	349.32	347.77	416.78	2/2/94	335.88	20/12/94
Finland								
HEX General(28/12/90)	(c)		1846.7	1840.0	1972.00	4/2/94	1601.10	3/1/94
France								
SBF 250 (31/12/90)		1250.66	1252.38	1260.29	1588.20	2/2/94	1227.86	25/10/94
CAC 40(31/12/87)		1881.15	1894.15	1927.83	2355.93	2/2/94	1824.42	25/10/94
Germany								
FAZ Aktien(31/12/58)		784.43	781.19	789.87	869.27	18/5/94	742.04	5/10/94
Commerzbank(1/12/53)		2241.1	2231.1	2258.6	2488.90	2/5/94	2118.30	5/10/94
DAX (30/12/87)†		2106.53	2077.03	2100.01	2271.11	16/5/94	1960.59	7/10/94
Greece								
Athens SE(31/12/80)		368.91	361.11	858.33	1194.58	13/1/94	804.37	22/11/94
Hong Kong								
Hang Seng(31/7/64)		8191.04	8196.02	8268.22	12201.09	4/1/94	7707.78	12/12/94
India								
BSE Sens.(1979)	(c)		(c)	(c)	4628.57	12/9/94	3454.09	5/1/94
Indonesia								
Jakarta Comp.(10/8/82)	(c)		(c)	469.64	612.89	5/1/94	447.04	13/12/94
Ireland								
ISEQ Overall(4/1/88)		1850.76	1852.05	(c)	2082.18	20/1/94	1694.14	1/7/94
Italy								
Banca Comm Ital (1972)		632.48	625.00	634.09	817.17	10/5/94	581.84	13/12/94
MIB General (4/1/94)		1025.0	1013.0	1028.0	1318.80	10/5/94	942.00	13/12/94
Japan								
Nikkei 225 (16/5/49)		19723.06	19752.98	19865.53	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)		287.17	286.36	285.34	311.71	13/6/94	268.22	4/1/94
Topix (4/1/68)		1559.09	1554.34	1551.79	1712.73	13/6/94	1445.97	4/1/94
2nd Section (4/1/68)		2133.68	2115.90	2117.04	2542.85	8/7/94	1873.33	4/1/94
Malaysia								
KLSE Comp.(4/4/86)		971.21	967.14	975.97	1314.46	5/1/94	886.77	12/12/94
Mexico								
IPC (Nov 1978)	(u)		2411.08	2337.72	2881.17	8/2/94	1957.33	20/4/94
Netherland								
CBS TtlRtnGen(End 83)	(c)		443.1	443.8	494.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	(c)		278.0	278.4	294.80	31/1/94	257.90	21/6/94
New Zealand								
Cap. 40 (1/7/86)		1914.24	1909.37	1919.82	2438.64	3/2/94	1878.09	12/12/94
Norway								
Oslo SE(Ind)(2/1/83)		1141.54	1128.37	1137.98	1211.10	28/2/94	980.91	21/6/94
Philippines								
Manila Comp (2/1/85)	(c)		2785.81	2777.78	3308.37	4/1/94	2597.33	9/3/94
Portugal								
BTA (1977)		2913.4	2923.9	2921.6	3228.60	18/2/94	2812.80	20/6/94
Singapore								
SES All-S'pore(2/4/75)		533.57	533.72	530.85	641.81	4/1/94	506.84	13/12/94
South Africa								
JSE Gold (28/9/78)		2023.3♥	2014.6	1976.1	2534.00	7/9/94	1749.00	14/2/94
JSE Indl. (28/9/78)		6976.8♥	6977.2	6963.0	6994.10	22/11/94	5446.80	19/1/94
South Korea								
KoreaCmpEx(4/1/80)**	(c)		1027.37	1027.39	1138.75	8/11/94	865.37	2/4/94
Spain								
Madrid SE (30/12/85)		285.01	280.33	283.59	358.31	31/1/94	280.33	29/12/94
Sweden								
AffarsvarldenGen (1/2/37)		1470.8	1460.0	1463.1	1603.99	31/1/94	1334.70	6/7/94
Switzerland								
Swiss Bk Ind (31/12/58)	(c)		1240.30	1247.17	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	(c)		928.38	934.37	1083.29	31/1/94	878.57	27/10/94
Taiwan								
WeightedPr.(30/6/66)**		7111.10	7027.43	6947.83	7191.13	30/9/94	5194.63	19/3/94
Thailand								
Bangkok SET (30/4/75)	(c)		1352.80	1363.24	1753.73	4/1/94	1198.58	4/4/94
Turkey								
Istanbul Cmp.(Jan 1986)		27257.1	27784.5	27337.3	29145.10	2/12/94	12980.70	24/3/94
WORLD								
MS Capital Int (1/1/70)		619.8*	618.7	616.4	649.80	2/11/94	591.80	4/4/94
CROSS-BORDER								
Eurotrack 100(26/10/90)		1333.22	1327.46	1348.89	1540.19	31/1/94	1288.48	5/10/94
Euro Top-100 (26/6/90)		1178.46	1171.51	1186.08	1311.01	2/2/94	1138.48	5/10/94
JCapelDrgns (31/12/88)	(u)		303.29	304.46	395.19	5/1/94	285.49	12/12/94
Barings Emerg.(7/1/92)		158.04	155.47	152.30	191.79	26/9/94	141.65	21/4/94

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	1889.0	1875.5	-16.5	1905.0	1875.0	22,519	14,676
Jan	1898.0	1889.0	-12.0	1913.0	1885.0	23,778	17,141
Feb	1908.0	1899.0	-12.0	1915.0	1908.0	2	1,218

Open interest figures for previous day.

** Sat Dec 24: Taiwan Weighted Price 6894.11; Korea Comp Ex 1024.60. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours Index: Dec 30 – 2097.51 +22.83.

US INDICES

Dow Jones	Dec 30	Dec 29	Dec 28	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3834.44	3833.43	3838.48	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	93.56	93.85	94.06	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1455.03	1444.55	1435.00	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.52	181.26	181.72	227.08 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3874.48 (3871.45) Low 3812.91 (3816.94) (Theoretical♦)
Day's high 3850.59 (3847.90) Low 3832.76 (3832.42) (Actual♦)

Standard and Poors	Dec 30	Dec 29	Dec 28	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	459.27	461.16	460.86	482.00 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.63	549.80	548.94	583.10 (28/10/94)	510.05 (21/4/94)	583.16 (28/10/94)	3.62 (21/6/92)
Financial	41.41	41.59	41.55	46.94 (14/8/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.94	251.44	251.29	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	433.67	431.36	429.62	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	751.96	749.53	742.48	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Dec 23	Dec 16	Dec 9	Year ago
Dow Jones Ind. Div. Yield	2.78	2.80	2.88	2.67
	Dec 28	Dec 21	Dec 14	Year ago
S & P Ind. Div. yield	2.44	2.45	2.47	2.40
S & P Ind. P/E ratio	18.76	18.68	18.40	27.43

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	464.60	461.35	-3.25	465.45	461.05	26,337	203,018
Jun	-	465.75	-3.15	469.60	465.60	936	7,786
Sep	-	471.20	-2.80	474.70	470.80	86	2,201

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
RJR Nabisco	8,063,000	5⅝	-⅛
Telefonos	6,085,900	41⅛	-1¼
Wal-Mart	4,346,200	21¼	-⅛
Chem Bank	3,604,100	35⅞	-⅛
K Mart	2,816,500	13	-⅛
Ford Motor	2,429,200	27⅞	—
Health Sys	2,050,700	30⅜	+8½
Philip Morris	1,867,700	57½	+⅜
Gen Motors	1,804,200	42⅛	—
Chrysler	1,738,700	49	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Dec 30	Dec 29	Dec 28
New York SE	229.732	253.337	243.516
Amex	24.840	18.798	17.444
NASDAQ	(u)	259.700	235.024
NYSE			
Issues Traded	2,983	2,969	2,942
Rises	1,383	1,163	859
Falls	996	1,096	1,323
Unchanged	604	710	760
New Highs	62	38	36
New Lows	72	84	109

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 30		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0648	+0.0374	554 - 742	17.1087	16.9915	17.051	1.0	17.0104	1.3	-	-	115.8
Belgium	(BFr)	49.7981	+0.0937	508 - 453	49.9300	49.8390	49.7681	0.7	49.6631	1.1	49.0831	1.4	117.6
Denmark	(DKr)	9.5208	+0.0242	154 - 262	9.5348	9.4910	9.5175	0.4	9.525	-0.2	9.4915	0.3	116.8
Finland	(FM)	7.4160	+0.0217	048 - 251	7.4300	7.3930	-	-	-	-	-	-	89.1
France	(FFr)	8.3494	-0.0033	447 - 540	8.3692	8.3441	8.3507	-0.2	8.3452	0.2	8.2918	0.7	110.2
Germany	(DM)	2.4250	+0.0067	234 - 265	2.4286	2.4168	2.4234	0.8	2.4188	1.0	2.3845	1.7	126.9
Greece	(Dr)	376.419	+1.359	220 - 617	377.182	374.973	-	-	-	-	-	-	-
Ireland	(I£)	1.0131	+0.0032	123 - 139	1.0146	1.0092	1.0133	-0.2	1.0123	0.3	1.0112	0.2	105.0
Italy	(L)	2538.02	+0.87	603 - 000	2543.06	2535.42	2544.02	-2.8	2553.72	-2.5	2602.92	-2.6	72.9
Luxembourg	(LFr)	49.7981	+0.0937	508 - 453	49.9300	49.8390	49.7681	0.7	49.6631	1.1	49.0831	1.4	117.6
Netherlands	(Fl)	2.7149	+0.0062	132 - 165	2.7188	2.7072	2.7131	0.8	2.7079	1.0	2.6711	1.6	121.4
Norway	(NKr)	10.5823	+0.0213	766 - 880	10.5967	10.5582	10.5826	0.0	10.5813	0.0	10.5724	0.1	86.4
Portugal	(Es)	249.069	+0.017	832 - 305	249.803	248.574	249.889	-4.0	251.364	-3.7	-	-	-
Spain	(Pta)	205.935	+0.094	791 - 079	206.676	205.623	206.295	-2.1	207.015	-2.1	210.275	-2.1	84.5
Sweden	(SKr)	11.6308	+0.0245	196 - 416	11.6816	11.5975	11.6476	-1.8	11.6901	-1.7	11.7991	-1.4	75.8
Switzerland	(SFr)	2.0474	+0.0005	462 - 486	2.0521	2.0454	2.0439	2.1	2.0372	2.0	1.9919	2.7	121.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	-	1.2758	+0.0027	751 - 764	1.2785	1.2731	1.276	-0.1	1.2762	-0.1	1.2685	0.6	-
SDR†	-	0.936983	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5648	+0.005	640 - 652	1.5687	1.5592	-	-	-	-	-	-	-
Brazil	(R)	1.3251	+0.0094	231 - 271	1.3271	1.3220	-	-	-	-	-	-	-
Canada	(C$)	2.1945	+0.0004	934 - 955	2.2001	2.1887	2.1945	-0.2	2.1955	-0.3	2.2053	-0.5	84.4
Mexico	(New Peso)	7.7052	+0.0246	854 - 250	7.8250	7.5854	-	-	-	-	-	-	-
USA	($)	1.5645	+0.005	640 - 650	1.5687	1.5590	1.5593	0.2	1.5592	0.1	1.558	0.1	63.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0170	+0.0095	157 - 183	2.0235	1.9951	2.0094	-1.1	2.0138	-1.3	2.0432	-1.8	-
Hong Kong	(HK$)	12.1048	+0.0368	991 - 100	12.1355	12.0643	12.0138	5.4	12.0133	1.8	12.0263	0.3	-
India	(Rs)	49.0765	+0.1277	549 - 980	49.2020	48.9410	-	-	-	-	-	-	-
Japan	(Y)	156.090	+0.639	993 - 187	156.187	155.410	154.991	4.0	153.856	4.1	148.001	4.8	188.4
Malaysia	(M$)	3.9950	+0.0025	921 - 978	4.0033	3.9887	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4440	+0.0167	418 - 461	2.4492	2.4261	2.4397	-3.1	2.4458	-3.0	2.4839	-2.3	-
Philippines	(Peso)	38.1739	+0.122	488 - 990	38.4990	37.5450	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8689	+0.0188	666 - 711	5.8842	5.8486	-	-	-	-	-	-	-
Singapore	(S$)	2.2810	+0.0013	787 - 833	2.2859	2.2753	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5450	+0.0154	420 - 479	5.5587	5.5266	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.3754	+0.0126	577 - 930	6.3930	6.3421	-	-	-	-	-	-	-
South Korea	(Won)	1233.61	+2.77	306 - 416	1236.78	1229.51	-	-	-	-	-	-	-
Taiwan	(T$)	41.1276	-0.0245	043 - 509	41.2278	41.0115	-	-	-	-	-	-	-
Thailand	(Bt)	39.2768	+0.1567	486 - 050	39.3670	39.1230	-	-	-	-	-	-	-

†SDR rates for Dec 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 30		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9075	-0.011	050 - 100	10.9425	10.8935	10.9	0.8	10.8835	0.9	10.786	1.1	104.9
Belgium	(BFr)	31.8300	-0.042	100 - 500	31.9300	31.8100	31.8075	0.8	31.74	1.1	31.375	1.4	108.6
Denmark	(DKr)	6.0855	-0.004	840 - 870	6.1047	6.0757	6.0957	-0.2	6.0985	-0.1	6.073	0.2	105.4
Finland	(FM)	4.7395	-0.0013	345 - 445	4.7609	4.7318	4.7373	0.6	4.734	0.5	4.717	0.5	83.6
France	(FFr)	5.3368	-0.0192	355 - 380	5.3690	5.3340	5.3356	0.3	5.3335	0.2	5.3013	0.7	106.2
Germany	(D)	1.5500	-0.0007	495 - 505	1.5550	1.5436	1.5489	0.9	1.5459	1.1	1.5243	1.7	107.8
Greece	(Dr)	240.600	+0.1	550 - 650	240.900	240.170	243.1	-12.5	248.06	-12.4	265.36	-10.3	68.4
Ireland	(I£)	1.5443	-	436 - 450	1.5479	1.5402	1.5448	-0.4	1.5448	-0.1	1.5451	-0.1	-
Italy	(L)	1622.25	-4.65	150 - 300	1628.00	1621.28	1626	-2.8	1632.25	-2.5	1664.75	-2.6	73.3
Luxembourg	(LFr)	31.8300	-0.042	100 - 500	31.9300	31.8100	31.8075	0.8	31.74	1.1	31.375	1.4	108.6
Netherlands	(Fl)	1.7353	-0.0016	348 - 358	1.7405	1.7333	1.7341	0.9	1.7306	1.1	1.7076	1.6	106.2
Norway	(NKr)	6.7640	-0.008	625 - 655	6.7841	6.7550	6.7642	0.0	6.7665	-0.1	6.704	0.9	96.6
Portugal	(Es)	159.200	-0.5	100 - 300	159.900	159.050	159.825	-4.7	160.95	-4.4	164.95	-3.6	95.2
Spain	(Pta)	131.630	-0.4	580 - 680	132.40	131.580	131.855	-2.1	132.315	-2.1	134.48	-2.2	79.4
Sweden	(SKr)	7.4341	-0.0081	294 - 387	7.4821	7.4174	7.4454	-1.8	7.4666	-1.7	7.5491	-1.5	81.1
Switzerland	(SFr)	1.3087	-0.0038	083 - 090	1.3150	1.3075	1.3064	2.1	1.302	2.0	1.2792	2.7	107.1
UK	(£)	1.5645	+0.005	640 - 650	1.5687	1.5590	1.5643	0.2	1.5642	0.1	1.563	0.1	87.8
Ecu	-	1.2264	+0.0014	261 - 268	1.2270	1.2223	1.2262	0.2	1.2269	0.1	1.2329	-0.5	-
SDR†	-	1.45597	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0000	1.0001	-	-	-	-	-	-	-
Brazil	(R)	0.8470	-0.0005	460 - 480	0.8460	0.8480	-	-	-	-	-	-	-
Canada	(C$)	1.4027	-0.0043	024 - 029	1.4069	1.4022	1.4029	-0.1	1.4047	-0.6	1.4137	-0.8	80.9
Mexico	(New Peso)	4.9250	-	500 - 000	5.0000	4.8500	4.926	-0.2	4.9278	-0.2	4.9352	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.3
Pacific/Middle East/Africa													
Australia	(A$)	1.2892	+0.002	888 - 896	1.2896	1.2868	1.2899	-0.7	1.2917	-0.8	1.3045	-1.2	91.7
Hong Kong	(HK$)	7.7370	-0.0012	360 - 380	7.7388	7.7360	7.735	0.3	7.7338	0.2	7.7415	-0.1	-
India	(Rs)	31.3688	-0.0187	650 - 725	31.3725	31.3650	31.4388	-2.7	31.5838	-2.7	-	-	-
Japan	(Y)	99.7700	+0.09	400 - 000	99.9400	99.5800	99.43	4.1	98.73	4.2	94.985	4.8	149.2
Malaysia	(M$)	2.5535	-0.0066	525 - 545	2.5600	2.5525	2.5505	1.4	2.546	1.2	2.574	-0.8	-
New Zealand	(NZ$)	1.5621	+0.0057	612 - 629	1.5629	1.5561	1.5631	-0.7	1.5655	-0.9	1.5745	-0.8	-
Philippines	(Peso)	24.4000	-	000 - 000	24.6000	24.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7513	-	510 - 515	3.7516	3.7510	3.7549	-1.1	3.7618	-1.1	3.7763	-0.7	-
Singapore	(S$)	1.4580	-0.0038	570 - 590	1.4620	1.4552	1.4565	1.3	1.453	1.4	1.4365	1.5	-
S Africa (Com.)	(R)	3.5443	-0.0015	435 - 450	3.5475	3.5423	3.5598	-5.2	3.5919	-5.4	3.7568	-6.0	-
S Africa (Fin.)	(R)	4.0750	-0.005	650 - 850	4.0850	4.0600	4.103	-8.2	4.1475	-7.1	4.385	-7.6	-
South Korea	(Won)	788.500	-0.75	400 - 600	789.300	788.200	791.5	-4.6	795	-3.3	813.5	-3.2	-
Taiwan	(T$)	26.2880	-0.1	815 - 945	26.3790	26.2815	26.308	-0.9	26.348	-0.9	-	-	-
Thailand	(Bt)	25.1025	+0.0175	900 - 150	25.1020	25.0900	25.132	-1.4	25.223	-1.9	25.6275	-2.1	-

†SDR rate for Dec 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 29. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 30	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5¼	5⅞	5⅝	5[illegible]	6¼	7.40	4.50	-
week ago	5¼	5⅞	5½	5¾	6¼	7.40	4.50	-
France	5[illegible]	5⅝	6¼	6⅝	7⅛	5.00	-	6.75
week ago	5[illegible]	5⅞	6[illegible]	6[illegible]	6[illegible]	5.00	-	6.75
Germany	5.05	5.20	5.20	5.40	5.80	6.00	4.50	4.85
week ago	4.83	5.23	5.40	5.50	5.83	6.00	4.50	4.85
Ireland	5[illegible]	5[illegible]	6[illegible]	6[illegible]	7[illegible]	-	-	6.25
week ago	6[illegible]	5[illegible]	6[illegible]	6[illegible]	7[illegible]	-	-	6.25
Italy	8[illegible]	8⅝	8[illegible]	9¾	10½	-	7.50	8.20
week ago	8[illegible]	8⅝	9	9¾	10½	-	7.50	8.20
Netherlands	4.84	5.31	5.37	5.57	5.95	-	5.25	-
week ago	4.84	5.31	5.43	5.58	5.94	-	5.25	-
Switzerland	3⅝	4	4[illegible]	4½	4[illegible]	6.625	3.50	-
week ago	3[illegible]	4	4[illegible]	4[illegible]	4[illegible]	6.625	3.50	-
US	5⅝	5[illegible]	6[illegible]	6[illegible]	7[illegible]	-	4.75	-
week ago	5½	6¼	6¼	6¾	7½	-	4.75	-
Japan	2¼	2[illegible]	2[illegible]	2[illegible]	2[illegible]	-	1.75	-
week ago	2¼	2[illegible]	2[illegible]	2[illegible]	2[illegible]	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6½	7	7¾	-	-	-
week ago	-	6⅛	6[illegible]	6[illegible]	7[illegible]	-	-	-
US Dollar CDs	-	5.66	6.12	6.67	7.45	-	-	-
week ago	-	5.51	5.95	6.49	7.28	-	-	-
SDR Linked Ds	-	4¾	4⅞	5¼	5[illegible]	-	-	-
week ago	-	4¾	4⅞	5⅛	5[illegible]	-	-	-

ECU Linked Ds mid rates: 1 mth: 5[illegible]; 3 mths: 5⅝; 6 mths: 6 ; 1 year: 6½. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Dec 30	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5[illegible] - 5[illegible]	5⅜ - 5¼	5[illegible] - 5[illegible]	5½ - 5⅜	5¾ - 5⅝	6[illegible] - 6[illegible]
Danish Krone	5¼ - 5	5⅝ - 5⅜	5¾ - 5½	6⅛ - 5⅞	6½ - 6¼	7⅛ - 6⅞
D-Mark	5 - 4¾	5⅛ - 5	5⅛ - 5	5¼ - 5⅛	5½ - 5⅜	5⅞ - 5¾
Dutch Guilder	5[illegible] - 5[illegible]	5⅛ - 5[illegible]	5⅛ - 5[illegible]	5[illegible] - 5¼	5[illegible] - 5[illegible]	6 - 5[illegible]
French Franc	5⅜ - 5¼	5[illegible] - 5[illegible]	5⅝ - 5½	6[illegible] - 5[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]
Portuguese Esc.	9 - 8⅞	9¼ - 8¾	10[illegible] - 9⅞	10[illegible] - 10⅜	11¼ - 10¾	11¼ - 10¾
Spanish Peseta	7½ - 7⅜	7[illegible] - 7[illegible]	8[illegible] - 8[illegible]	8½ - 8⅜	9⅛ - 9	9⅞ - 9¾
Sterling	5½ - 5¼	5½ - 5¼	6 - 5[illegible]	6⅝ - 6½	7[illegible] - 7[illegible]	7[illegible] - 7[illegible]
Swiss Franc	5⅜ - 5⅛	3¾ - 3½	3[illegible] - 3[illegible]	4¼ - 4⅛	4½ - 4⅜	4¾ - 4⅝
Can. Dollar	5½ - 5[illegible]	5[illegible] - 5⅝	6[illegible] - 5[illegible]	7⅛ - 7	8 - 7⅞	8¾ - 8⅝
US Dollar	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6 - 5⅞	6½ - 6⅜	7 - 6⅞	7¾ - 7⅝
Italian Lira	8 - 7½	8⅜ - 8¼	8¾ - 8⅝	9⅛ - 9	9¾ - 9⅝	10[illegible] - 10[illegible]
Yen	2¼ - 2[illegible]	2[illegible] - 2[illegible]	2⅞ - 2[illegible]	2⅞ - 2[illegible]	2[illegible] - 2[illegible]	2[illegible] - 2⅝
Asian $Sing	3⅞ - 3⅝	4⅜ - 4¼	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]	4[illegible] - 4[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.79	92.77	-0.01	92.82	92.76	64,970	466,953
Jun	92.03	92.00	-0.01	92.03	91.97	56,869	352,759
Sep	91.69	91.65	-0.05	91.71	91.66	30,488	281,117

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.45	93.44	-	93.47	93.44	1,497	15,632
Jun	92.71	92.68	-0.01	92.71	92.67	343	3,660
Sep	-	92.33	-0.03	92.34	92.31	161	872

All Open interest figs. are for previous day

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
190	Nil	25/1	37pm	16pm	Cowie	36pm	-1
100	Nil	25/1	27pm	16pm	Division Grp	17pm	
120	Nil	6/1	18pm	15pm	Inspirations	15pm	-1
53	Nil	31/1	1½pm	¼pm	MY	¼pm	
37	Nil	3/1	5pm	2pm	OMI	2pm	
10	Nil	9/1	½pm	½pm	Tomorrows Leis	½pm	
25	Nil	10/2	¾pm	¾pm	Trio	¾pm	
7½	Nil	3/2	1½pm	½pm	Verity	1pm	
90	Nil	9/2	15pm	4pm	Walker G'bank	11pm	

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 30		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.12	16.77	4.870	2.035	5097	5.453	21.25	500.3	413.5	23.36	4.111	2.008	4.409	3.143	313.5	2.563
Denmark	(DKr)	52.29	10	8.769	2.547	1.064	2666	2.852	11.11	261.6	216.3	12.22	2.150	1.050	2.305	1.644	164.0	1.340
France	(FFr)	59.64	11.40	10	2.905	1.213	3040	3.252	12.67	298.4	246.6	13.93	2.452	1.198	2.629	1.874	187.0	1.528
Germany	(DM)	20.53	3.926	3.443	1	0.418	1047	1.120	4.363	102.7	84.91	4.796	0.844	0.412	0.905	0.645	64.37	0.526
Ireland	(I£)	49.15	9.399	8.242	2.394	1	2505	2.680	10.44	245.9	203.3	11.48	2.021	0.987	2.167	1.545	154.1	1.260
Italy	(L)	1.962	0.375	0.329	0.096	0.040	100.	0.107	0.417	9.815	8.113	0.458	0.081	0.039	0.086	0.062	6.151	0.050
Netherlands	(Fl)	18.34	3.507	3.075	0.893	0.373	934.8	1	3.897	91.75	75.84	4.284	0.754	0.368	0.808	0.576	57.50	0.470
Norway	(NKr)	47.06	8.999	7.891	2.292	0.957	2399	2.566	10	235.4	194.6	10.99	1.935	0.945	2.075	1.479	147.5	1.206
Portugal	(Es)	19.99	3.822	3.352	0.974	0.407	1019	1.090	4.247	100.	82.66	4.669	0.822	0.401	0.881	0.628	62.67	0.512
Spain	(Pta)	24.18	4.624	4.055	1.178	0.492	1233	1.319	5.138	121.0	100.	5.648	0.994	0.486	1.066	0.760	75.81	0.620
Sweden	(SKr)	42.81	8.187	7.179	2.085	0.871	2182	2.334	9.097	214.2	177.0	10	1.760	0.860	1.887	1.346	134.2	1.097
Switzerland	(SFr)	24.32	4.651	4.079	1.185	0.495	1240	1.326	5.169	121.7	100.6	5.681	1	0.489	1.072	0.765	76.26	0.623
UK	(£)	49.79	9.521	8.349	2.425	1.013	2538	2.715	10.58	249.1	205.9	11.63	2.047	1	2.195	1.565	156.1	1.276
Canada	(C$)	22.68	4.338	3.804	1.105	0.462	1156	1.237	4.820	113.5	93.80	5.298	0.933	0.456	1	0.713	71.12	0.581
US	($)	31.81	6.084	5.335	1.550	0.647	1622	1.735	6.760	159.2	131.6	7.431	1.308	0.639	1.403	1	99.74	0.815
Japan	(Y)	31.90	6.099	5.348	1.553	0.649	1626	1.739	6.778	159.6	131.9	7.450	1.311	0.641	1.406	1.003	100.	0.817
Ecu		39.02	7.462	6.543	1.900	0.794	1989	2.128	8.292	195.2	161.4	9.114	1.604	0.784	1.720	1.226	122.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6455	0.6475	+0.0028	0.6478	0.6442	31,537	68,724
Jun	0.6490	0.6504	+0.0029	0.6510	0.6490	195	1,992
Sep	-	0.6536	+0.0029	0.6533	0.6533	3	139

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.7645	0.7673	+0.0026	+0.7684	0.7638	19,819	35,111
Jun	0.7695	0.7726	+0.0027	+0.7735	0.7695	58	655
Sep	-	0.7787	+0.0027	+0.7786	-	1	55

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.0105	1.0106	-0.0004	1.0127	1.0088	18,548	68,486
Jun	1.0236	1.0239	-0.0005	1.0255	1.0230	1,877	5,512
Sep	-	1.0375	-0.0006	-	-	1	328

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.5568	1.5670	+0.0074	1.5688	1.5568	21,940	51,368
Jun	1.5610	1.5666	+0.0074	1.5650	1.5610	24	531
Sep	-	1.5662	+0.0074	1.5650	-	5	4

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.500	6.53	6.63	6.86	-	0.11	0.38
1.525	4.08	4.45	4.86	0.01	0.41	0.85
1.550	1.95	2.61	3.18	0.32	1.06	1.64
1.575	0.55	1.35	1.95	1.41	2.22	2.77
1.600	0.07	0.58	1.08	3.37	3.89	4.38
1.625	-	0.20	0.54	5.76	5.99	6.31

Previous day's vol., Calls 9,914 Puts 4,594 . Prev. day's open int., Calls 222,985 Puts 235,825

■ Pound in New York

Dec 30	Close	Prev. close
£ spot	1.5665	1.5588
1 mth	1.5662	1.5596
3 mth	1.5660	1.5595
1 yr	1.5648	1.5583

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Company News page in today's edition.

FT GOLD MINES INDEX

	Dec 30	% chg since 31/12/93	Dec 29	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1975.79	-11.5	1983.51	48.39	100.00	2.22	2367.40	1762.02
■ Regional Indices								
Africa (16)	3191.21	-3.4	3187.94	16.41	33.92	4.40	3711.87	2304.45
Australasia (7)	2454.46	-7.9	2461.94	6.30	13.02	2.12	3013.69	2171.66
North America (11)	1544.55	-17.0	1555.77	25.68	53.06	0.85	2039.65	1417.00

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Dec 30 : 242.3; week's change: -6.6 points; Year ago: 257.7.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.89	98	90½	Asset Man Inv	97		-	-	-	-
-	F.P.	4,399.1	259	255	BSkyB	256½		N-	-	-	48.3
-	F.P.	39.3	64	43	Brit Assets Gth	64		-	-	8.4	-
-	F.P.	68.9	173	133	Clydeport	167		RN3.51	-	2.6	-
100	F.P.	19.4	103	96	Euclidian	97		-	-	-	-
-	F.P.	-	94	93	Fidelity Sp Val	92		-	-	-	-
$10	F.P.	37.2	626	615	First Russian Fr	620		-	-	-	-
100	F.P.	46.0	94	91	Fleming Nat Res	92		-	-	-	-
100	F.P.	29.4	106	98½	For & Col Emrg C	102½	+¼	-	-	-	-
500	F.P.	216.5	510	490	Gartmore Mic Uts	508		-	-	-	-
-	F.P.	-	98	94	Hill Hire	100		-	-	-	-
80	F.P.	10.9	83	83	Hydro Intl.	83		RN-	-	-	33.8
120	F.P.	25.6	123	123	Innovative Techs	123		N-	-	-	-
-	F.P.		125	80¼	Invest Capital	90		-	-	-	-
100	F.P.	27.0	103	100	Kiln Capital	100		F4.0	-	5.0	-
100	F.P.	59.4	101	99	Leg & Gen Recvry	99		-	-	-	-
§3	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	42.5	94	82	Matheson Lloyds	85		-	-	-	-
100	F.P.	59.1	92	88	Murray Emrg Econ	91	+½	-	-	-	-
-	F.P.	14.7	145	138	RAP Group	138		RN4.65	2.1	4.2	10.8
175	F.P.	34.7	210	203	RM	206		N4.8	3.1	2.9	13.3
-	F.P.	5.53	108	101	Residential Prop	101		-	-	-	-
120	F.P.	63.5	144	120	SeaPerfect	129		-	-	-	-
182	F.P.	1,465.3	186	171	TeleWest	171		-	-	-	-
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	247.4	118	118	Woodchester Units	118		-	-	-	-

UK INTEREST RATES

LONDON MONEY RATES

Dec 30	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 2	5¼ - 4½	6 - 5⅞	6[illegible] - 6[illegible]	7¼ - 7[illegible]	8 - 7⅞
Sterling CDs	-	-	5⅞ - 5[illegible]	6⅝ - 6½	7 - 6[illegible]	7[illegible] - 7[illegible]
Treasury Bills	-	-	5[illegible] - 5[illegible]	6¼ - 6⅛	-	-
Bank Bills	-	-	5[illegible] - 5[illegible]	6⅜ - 6¼	6⅞ - 6¾	-
Local authority deps.	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	6[illegible] - 6[illegible]	7 - 6[illegible]	7[illegible] - 7[illegible]
Discount Market deps	5 - 3½	5¼ - 5	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ¼pc.
Ave. tender rate of discount 5.9162pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Dec 30	Dec 23
Bills on offer	£350	£350m
Total of applications	£1501m	£1592m
Total allocated	£350m	£350m
Min. accepted bid	£98.525	£98.545
Allotment at min. level	100%	89%

	Dec 30	Dec 23
Top accepted rate	5.9162%	5.8359%
Ave. rate of discount	5.9162%	5.8347%
Average yield	6.0047%	5.9208%
Offer at next tender	£350m	£350m
Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday December 28, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,027,189,125	+89,418,924
Bankers deposits	1,907,103,495	+52,058,100
Reserve and other accounts	3,291,188,929	-94,018,396
	6,240,034,549	+47,458,628
Assets		
Government securities	1,057,739,789	+7,510,000
Advances and other accounts	4,248,576,209	-448,090,836
Premises, equipment and other secs	921,232,486	+480,640,879
Notes	12,185,091	+7,324,342
Coin	217,874	+74,243
	6,240,034,549	+47,458,628
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,447,831,909	+392,675,658
Notes in Banking Department	12,186,091	+7,324,342
	20,460,000,000	+400,000,000
Assets		
Government securities	12,552,646,445	+1,084,206,817
Other Securities	7,907,353,555	-684,206,817
	20,460,000,000	+400,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	6.5	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25		
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

UK GILTS PRICES

Notes	Price £	+/-	Wk %	Amnt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Price £	+/-	Wk %	Amnt £m	Interest due	Last xd	City line
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCK INDICES

	Dec 30	Dec 29	Dec 28	Dec 23	Dec 22	1994 High	1994 Low	Since compilation High	Since compilation Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Govt Secs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Predecessor Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	□	222¼	0.4	Q61%	ф	Sep May	9'93	-
ANZ A$		212	1.4	Q25c	ф	Jan	12'93	-
Abbey National	†N□	430½	-1.3	15.55	2.1	May Oct	15.8	5411
Allied Irish I£	‡†N□	278	—	Q53½%	2.7	Oct May	15.8	1354
Anglo Irish I£	N□	54xd	—	Q7.5%	1.7	Jan Jul	28.11	1355
Asahi Y	□	741½	-4.6	Q14%	ф	Jan Dec	12'92	3049
Banco Bil Viz Pta	□	£16½	-2.8	Q37.2%	2.7	JyOcJaAp	7'93	-
Banco Sant Pta		£24¾	—	Q38%	2.0	MyAuOcJa	1.8	-
Bk Ireland I£	†N□	298xd	1.0	Q14.7%	3.2	Jan Jul	21.11	1380
Bank Scotland	‡†N□	211½	0.7	5.31	3.3	Jul Dec	17.10	1742
9¼pc Pf		117½	-.4	9¼%	-	May Nov	17.10	1482
8¾pc Pf		123	-.4	8¾%	-	May Nov	17.10	1485
Barclays	‡†N□	610½	-.6	16.65	2.4	Oct May	15.8	1754
Dai Ichi Kan Y	□	£12¼	-2.0	Q16%	1.2	Jan Dec	9'93	-
Deutsche DM	□	£290¾	0.8	Q33%	-	May	6'93	-
Espirito Santo	□	£8¾	3.7	Q99c	5.2	Jan	6'93	5187
First Nat Fin	N□	89½	1.7	1.5	-	Mar Aug	18.7	2571
6.3pc Cv Pf		68xd	—	6.3%	-	Jul Jan	12.12	2570
7pc Cv Pf		106xd	-2.7	7.0	-	Jul Jan	12.12	1488
Fuji Bank Y	□	1412¼	0.4	Q17%	ф	Dec Jun	7'93	-
HSBC HK	†N□	694	-3.3	24.8	2.4	Nov Jun	5.9	2799
HSBC (75p Shs)	†N□	708½	-2.4	24.5	2.4	Nov Jun	5.9	2778
Irish Permanent	uN□	229	0.4	9.0	2.9	Apr Oct	-	4709
Lloyds	†N□	562½	-2.4	23.0	2.1	Oct May	8.8	3171
Mitsubishi Y	□	£15¼	0.9	Q17%	ф	Jun Dec	12'92	-
Mits Tst & Bk Y	□	961	-3.0	Q19%	12.4	Jun Dec	12'92	-
Mitsui Tst & Bk Y	□	608¼	-1.9	Q17%	5.5	Jun Dec	12'92	-
Nat Aust A$		524	-.8	Q74c	ф	Jun Jul	21.6	-
NatWest	†N□	514	-.4	19.4	2.3	Oct May	8.8	3463
Ottomane FFr		£21½	—	Q125%	ф	May	25.5	-
Ryl Bk Scotland	‡qN□	383½xd	-.4	13.76	2.9	Feb Jul	12.12	3874
Sakura Y	□	998	-1.4	Q17%	3.0	Dec Jun	12'92	-
Sanwa Y	□	£12¾	-2.2	Q16%	2.0	Jun Dec	12'92	-
Standard Chartd	†N□	280½	0.5	8.37	4.2	Jun Oct	22.8	4094
7 3/8pc Prf		93¼	-.3	7.37	-	Apr Oct	22.8	1719
Sumitomo Y	□	£12¼	-1.2	Q17%	1.3	Jun Dec	12'92	-
Sumitomo Tst Y	□	887	—	Q17%	ф	Jun Dec	12'92	-
TSB	†N□	234½	0.2	8.07	2.5	Apr Oct	15.8	4329

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

CANADIANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Amer Barrick		14⅝	3.9	20c	Jun Dec	–	–
Bk Montreal		11⅛	-3.2	$1.20	JaJeAuNv	3.11	1029
Bk Nova Scot		12⅞	-3.2	$1.24	JaApJyOc	5.10	1017
BC Gas	♥	615½p	-1.4	60c	FeMyAuNv	30.12	–
BCE		20⅝	-.8	$2.72	JaApJyOc	6'93	–
Brascan	♥	922½p	-2.6	$1.04	JaApJyOc	10'93	–
Can Imp Bk		15⅛xd	-3.2	$1.48	JaApJyOc	29.12	1037
Can Pacific		9⅝	-1.4	32c	JaApJyOc	12'93	–
4pc Deb		42	—	04%	Jan Jul	5'93	–
Derlan	♥	150½p	0.1	28c	MrJeSeDe	6'93	–
Echo Bay	♥	700½p	2.8	7½c	Jun Dec	–	1070
Gulf Can	♥	189p	-4.8	–	–	3'93	–
Hawker Sid	♥	8⅛	—	$1.08	ApJyOcJa	11'93	–
Hudson's Bay	♥	11⅛	-.9	92c	ApJeSeDe	10'93	–
Imperial Oil	♥	21⅛	-.8	$1.82	MrJeSeDe	3'93	–
Inco		18⅛	-1.4	40c	MrJeOcDe	3'93	–
Nova Corp Alberta		592p	-2.1	24c	FeMyAuNv	3.8	–
Rio Algom	♥	11⅞	-.4	60c	Jun Dec	4'93	–
Royal Bk Can		12⅛	-2.2	$1.16	MrAuSeDe	28.10	1180
TVX Gold	♥	433p	4.1	–	–	–	–
Toronto-Dom		9⅛xd	-3.1	88c	JaApJyOc	12.12	1207
Trans Can Pipe	♥	7⅛	-2.1	84c	JaApJyOc	12'93	–

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		234	—	Q375c	1.9	Oct Apr	3'93	–
Barlow	♣	£5⅛xd	-1.0	Q56c	2.8	Jan Jul	12.12	–
Gold Flds Prop R		118xa	—	Q62c	Φ	Feb Sep	31.1	–
NK Props.		95	—	Q67.1c	–	Feb Sep	10'93	–
SASOL	♥	524	—	Q79c	–	Oct	9'93	–
SA Brews	†	£15⅛	6.7	Q183c	2.2	Jun Dec	21.11	–
Tiger Oats		763xd	—	Q85c	2.8	Jan Jul	12.12	–
Tongaat-Hulett	†b	725	—	Q80c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish Incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on BMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

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FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close December 30

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅝	11⅞	AAR	0.48	3.6	24	238	13½	12⅞	13⅜	+⅞
19⅞	12⅝	A L Labs A	0.18	0.9	45	308	u19⅞	19½	19⅞	
79⅞	57⅜	AMP	1.68	2.3	22	908	73½	72¾	72¾	-⅝
72¾	48⅛	AMR			113	2647	53¼	52⅞	53¼	+⅜
5	3⅞	ARX			12	95	3⅞	3¾	3¾	
56⅛	38⅝	ASA	2.00	4.5	29	462	45⅛	44⅞	44⅞	-½
33⅞	25⅜	AbbtL	0.76	2.3	17	6145	33⅛	32⅝	32⅝	-⅜
15¼	11½	Abitibi Pr	0.50	3.7	12	325	13¾	13⅝	13⅝	
23⅞	17¾	ABM Ind	0.60	2.6	14	46	23¼	23⅛	23¼	-⅛
18	11⅛	Acptncebn			11	202	16	14½	16	+⅜
31	20¾	ACE Ltd	0.44	1.9	22	634	23½	22⅝	23⅜	+1
12½	8	ACM Gvt In	1.09	12.8	8	578	8¼	8⅛	8⅛	
10⅛	6⅞	ACM GvOpp	0.80	10.8		416	7½	7⅜	7½	+⅛
10⅝	6¼	ACM Gvt Sp	0.96	13.5		309	7¼	7	7⅛	-⅛
12	7⅝	ACM Gvt Se	1.09	13.5		607	8⅛	8	8⅛	+⅛
11¾	7⅞	ACM Msn	1.08	13.1		199	8¼	8⅛	8¼	
9¼	7½	ACM Managd	0.72	9.4		300	7⅝	d7½	7⅝	+⅛
15½	9¾	AcmeClv	0.44	4.2	21	51	10⅝	10⅜	10½	+⅛
13⅞	6½	Acme Elect			13	210	13¼	12¾	12¾	-¼
33	23	Acordia	0.60	1.8	17	90	u33½	33	33½	+½
13¾	5¾	Actava	0.36	3.8	2	934	9⅞	8⅞	9⅜	+⅝
18⅝	11¼	Acuson			26	425	16⅜	16⅛	16¼	
18⅜	15½	Adams Expr	0.68	4.4	0	770	15⅝	d15½	15⅝	
64	46½	Ad Micro	3.00	5.7		87	53⅛	52½	52½	-⅛
31¾	16¾	AdvMic	3.00	12.1	8	5850	25	24½	24⅞	+⅜
6⅞	5	Advest Grp	0.16	3.1	15	799	5¼	5⅛	5⅛	
28	15	Advo Inc	0.10	0.6	16	198	17¼	17	17¼	+¼
64	49⅜	Aegon ADR	1.47	2.3	12	7	63¾	63½	63½	
65¾	42¼	AetnaL	2.76	5.9	6	1127	47½	47	47⅛	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

4 pm close December 30

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[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close December 30

[illegible]

NASDAQ NATIONAL MARKET

4 pm close December 30

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Pyramid		7	1441	13⅝	12⅝	13	-¼
QuadraLog		8	61	5⅝	5⅝	5⅝	
QuakerChm	0.68	65	74	18¾	18	18¾	+¾
Qual Food	0.20	18	652	24¼	23¾	24⅛	+⅜
Quantum		4	7678	15¼	14⅞	15⅛	+1/16
Quicksilv		14	384	15¼	14⅞	15¼	-⅛
QVC Inc		49	4441	42¼	41⅝	42⅛	+⅜
- R -							
Rainbow		15	1065	14¼	13⅝	14	+½
Rallys		2	1809	3 1/16	2⅞	3	
Rasterops		0	2147	2 11/16	2½	2½	-3/16
Raymond		13	151	18½	18	18½	+¼
Recoton		17	759	19	18¾	18¾	
Repligen		1	3654	1 13/16	d1⅝	1¾	
Rep Waste		7	619	4	3½	4	+¼
ResrchInd		20	297	14¼	13¾	13¾	
Reuters	0.37	31	1462	44¼	43⅞	43⅞	-3/16
Rexon Inc		4	2578	5½	4⅝	5½	+⅞
River Fst	0.60	10	62	33¼	32¾	32¾	-¼
RoadwS	1.40	46	1641	57¾	56¼	56¾	
RoNgnt	0.12	13	34	7⅞	7⅝	7⅞	+¼
RochSvBk	0.40	5	1048	15¾	15¼	15⅝	+⅛
Roosevelt	0.44	17	1845	15⅛	14⅝	15	+⅛
Ross Str	0.20	7	1988	11½	11⅛	11¼	

[illegible]

FT GUIDE TO THE WEEK

2 MONDAY

Europe flies in to Orly

France opens Orly airport, south of Paris, to European airlines for flights within the European Union. Lufthansa of Germany, KLM of the Netherlands and Lauda Air of Austria all start services to Orly, which offers better domestic connections and is closer to the centre than Charles de Gaulle, the other main Paris airport. On January 15 these airlines will be joined by Sabena of Belgium.

Landing rights for the new arrivals follow a protracted battle with the French government which sought to slow the deregulation of French airspace. But once British airlines made the initial breakthrough last summer, resistance became harder to sustain.

Peru: Some 60m hectares of Peruvian territory will become available for mining claims, when the government is scheduled to lift a six-month suspension on new filings.

Britain's astronomer royal: Sir Martin Rees of Cambridge University becomes the 15th holder of a post created by Charles II in 1675. In 1972, the position was detached from the directorship of the Royal Greenwich Observatory and is now honorary, carrying no duties beyond a general obligation to act as an ambassador for astronomy.

Holidays: Main markets closed for New Year holiday.

3 TUESDAY

Running-mate for Menem

Argentina's president Carlos Menem is expected to name his running-mate for the elections which are due to take place on May 14.

Decision time for Saatchi:

Maurice Saatchi (left) has until today to decide whether to stay at Saatchi & Saatchi, the advertising group he founded 24 years ago. If he does remain, it will be in the largely honorary post of president of the holding company and chairman of the subsidiary, Saatchi & Saatchi Advertising Worldwide.

Small fry: The FT-SE Actuaries Fledgling index is launched to cover companies too small to be included in the FT-SE Actuaries All-Share Index, which includes more than 98 per cent of UK stocks.

The index has been established in response to increasing interest by fund managers and individual investors in the very small companies sector.

Holidays: Japan, New Zealand, Russia, Taiwan.

4 WEDNESDAY

Quizzing for Santer's team

European Parliament committees begin questioning incoming commissioners in public hearings in Brussels (to Jan 10). Each hearing will last about two-and-a-half hours and be followed by a brief closed-door session. Parliament votes on the Commission on January 18.

The 104th US congress convenes, with a new Republican majority in both chambers: 230-204-1 in the House and 53-47 in the Senate. Newt Gingrich, the speaker, has a busy first 100 days ahead, with promises to introduce bills enacting his Contract with America manifesto within that span. The more cautious Senate, under Bob Dole, tends to take a longer view. The task of Democrat president Bill Clinton is to find some modus vivendi with the ascendant GOP, failing which he could have his first ever recourse to the veto.

UK government publishes the Finance Bill to turn November's Budget and last month's mini-Budget proposals into law. The bill is expected to be a monster with more than 140 clauses and 28 schedules.

Labour has promised tough opposition to several aspects of the government's taxation and spending plans and has outlined proposed amendments to clamp down on what it says are excessive executive salary increases.

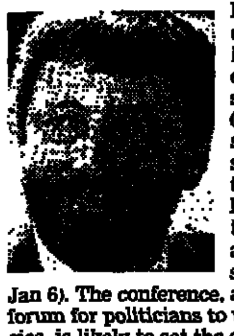
Holidays: Taiwan.

5 THURSDAY

Franco-German summit

Helmut Kohl, Germany's chancellor, is due to visit Edouard Balladur, the French prime minister, at his winter holiday home at Chamonix in the French Alps. The meeting is intended to co-ordinate strategy as Paris takes over the European Union presidency from Bonn. Germany wants to maintain the momentum for bringing the countries of eastern Europe closer to the EU, despite France's reluctance.

UK education:



David Blunkett, opposition Labour party education spokesman (left), is due to speak at the second day of the North of England Education Conference at the University of York (to Jan 6). The conference, a traditional forum for politicians to unveil new policies, is likely to set the educational agenda for the year. Gillian Shephard, education secretary, speaks tomorrow.

The Bundesbank council, the policy-making body of the German central bank, holds its first meeting of the year.

Reuter

Zapatista rebels, seeing in 1995, are one of Mexican president Ernesto Zedillo's problems

Measures that came into effect on January 1 1995

The World Trade Organisation, the successor to the General Agreement on Tariffs and Trade, was launched. Gatt continues for a one-year transition period.

Mercosur customs union of Argentina, Brazil, Uruguay and Paraguay began.

Andean Pact countries, Bolivia, Colombia, Ecuador, Peru and Venezuela, entered into their own customs union.

Group of three free-trade area comprising Mexico, Colombia and Venezuela came into force.

Japan initiated a partial opening of its rice market, allowing 4 per cent of consumption to be supplied by imports.

European security: The Conference on Security and Co-operation in Europe (CSCE), embracing all European and Commonwealth of Independent States countries and the US and Canada, became the Organisation for Security and Co-operation in Europe (OSCE) as part of an effort to upgrade itself into a European security umbrella.

European Union expands:

Austria, Finland and Sweden joined. The Union's territory grew by a third, its population by 6 per cent and its GDP by 7 per cent. Norway's voters rejected membership in a referendum in November.

Austria, being rich, will have to contribute some Sch30bn ($2.7bn) to the EU's coffers this year, aggravating a budget deficit of 5 per cent of GDP. About a third of the money comes back as adjustment payments to farmers because the Common Agricultural Policy takes immediate effect.

Consumers are the big winners, not only on food prices, but also on many service costs where protectionist walls must come down. The Austrian National Bank is joining the European Monetary System immediately and will probably join the Exchange Rate Mechanism in short order. The schilling is rigidly pegged to the D-mark, so these moves will have no noticeable effect.

Sweden and Finland, neutral Nordic neighbours which kept their distance from western Europe during the Cold War, step into the Union hoping membership will consolidate their recovery from deep recession.

Both will become net contributors to the budget; consumers should benefit from lower food prices as trade barriers fall, but Finland's highly subsidised farmers are braced for a painful adjustment to the EU's lower farm prices. Both countries are signing up for the EMS, but intend to float their currencies for the time being.

France took over the rotating six-month presidency of the European Union from Germany against the background of campaigning for domestic presidential elections due in May.

Free-trade agreements between the EU and the three Baltic republics, Estonia, Latvia and Lithuania, came into effect. They are a first step towards eventual accession.

European Medicines Evaluation Agency opened shop in London. A pharmaceuticals licensing body for medicines marketed in more than one European Union country, it should streamline drug approvals.

Euro-gobbledygook: Britain's Plain English Campaign, which crusades against obscure bureaucratic language, has said it will turn its attention to Brussels-speak. Its Inside Write campaign is to monitor internal publications.

Germany's second Financial Markets Promotion Act, the legislative mainstay of a project to bring Finanzplatz Deutschland up to international standards in areas such as regulation and supervision, came into force. Centrepiece is a ban on insider trading with five years' jail as the maximum punishment.

First victims of the legislation have been the traditional "fireside chats" – informal pre-Christmas meetings between management and hand-picked journalists at which sensitive full-year results data were formerly dished out as liberally as the beer and sausages.

Cost of unity: German taxpayers face a 7.5 per cent solidarity surcharge on income tax to help pay for the integration of former East Germany into the country.

UK employers' liability insurance policies, which provide cover against workplace deaths and injuries, will no longer offer unlimited cover on renewal. Insurance companies have imposed a basic claims limit of £10m.

UK commission disclosure: Under a new regime imposed by City regulators, life insurance and pensions sales agents and advisers have to give customers more information about the policies they sell and the costs of selling them.

Last gasp: Australia extended its anti-smoking provisions. Advertising of smoking materials is banned, except limited point of sale material, as is the use of brand names for promotional purposes. Packaging must bear larger health warnings.

The US's Delta Airlines began a smoking ban on all its flights.

Century of cinema: The cinema has decided to declare 1995 its 100th birthday in a year-long celebration around the globe. Paris in December 1895 saw the first audience buy tickets for the first public moving picture show in a disused ballroom.

6 FRIDAY

UK consumer credit data

Responsibility for compiling the monthly figures moves to the Bank of England from the Central Statistical Office. The new series adds lending by banks on personal accounts, by insurance companies, retailers and on all bank credit cards and charge cards, to the lending to consumers by finance houses, through unsecured lending from building societies and on Mastercard and Visa bank credit cards previously covered by the CSO.

Greece celebrates Epiphany:

Orthodox priests bless the Aegean to make it safe for the shipping industry in 1995 by throwing crucifixes into the sea at outdoor services in Piraeus port near Athens and every island harbour. Dozens of swimmers dive into chilly and polluted waters to recover them.

Holidays: Austria, Finland, Germany (parts), Greece, Italy, Spain, Sweden, Uruguay (Epiphany).

7-8 WEEKEND

Motor show season starts

The international motor show circuit starts on Saturday in North America with the opening of the Detroit and Los Angeles shows (both to Jan 15). The big three US auto makers are in buoyant mood, with record profits and strong demand in North America.

In 1994, the US overtook Japan to become the world's top motor vehicle producer for the first time since 1979. Pessimists suggest the domestic market may peak soon, however.

Niger's parliamentary elections, postponed from December 31 and scheduled for Saturday, are in doubt because of problems in getting the voting slips delivered from the French printers.

President Mahamane Ousmane dissolved parliament in October after a party in the ruling coalition defected to the opposition, leaving the government without a majority.

Football: FA Cup in England and Wales gets serious in its third round, as Premier League clubs join in on Saturday, Sunday and Monday.

For further events in 1995, see Page 4.

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ECONOMIC DIARY

Other economic news

Tuesday: Two UK indicators could revive fears of inflation. Following news last week of faster growth for notes and coin in circulation, the City is anticipating continued strong year-on-year growth of 6.9 per cent in M0 money supply in December.

There are also fears that the UK purchasing managers' survey for December will highlight potential inflationary pressures with the PMI price index remaining around November's high level of 72.

In the US, the composite index produced by the National Association of Purchasing Managers will be closely watched. According to BZW in London, a figure above 60 would, if sustained, suggest growth of 4 per cent for a few more months.

Friday: December's US labour market data will be the main focus of markets' attention. Economists expect a further jump in non-farm payrolls but no change in the 5.6 per cent unemployment rate.

During the week: Industrial production and manufacturing output are thought to have grown strongly in western Germany in November with analysts forecasting year-on-year growth rates above 6 per cent.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Tues	US	Dec NAPM index	60.5%	61.2%
Jan 3	US	Johnson Redbook w/e Dec 31	-	3.3%
	UK	Dec M0*	0.7%	0.2%
	UK	Dec M0**	6.9%	7.1%
	UK	Purchasing managers survey	-	-
Wed	US	Dec domestic auto sales	7.4m	7.4m
Jan 4	US	Dec Dom light truck sales	6.1m	6.1m
	US	Nov construction spending	0.5%	0.9%
	UK	Dec official reserves	-	$46m
	UK	Overseas travel and tourism	-	-
	Aust'lia	Oct current account†	-A$1.9bn	-A$1.6bn
Thur	US	Nov factory orders	2.2%	-0.4%
Jan 5	US	Nov factory inventories	-	0.4%
	US	Nov home completions	-	1.37m
	Japan	Dec auto sales**	-	6.1%
	Japan	Dec forex reserves*	-	1.3%
	UK	Nov new vehicle registrations	-	-
Fri	US	Dec non-farm payrolls	260,000	350,000
Jan 6	US	Dec manufacturing payrolls	30,000	51,000
	US	Dec hourly earnings	0.3%	-0.2%
	US	Dec average workweek	-	34.6
	US	Dec unemployment rate	5.6%	5.6%
	Japan	Nov BoJ corp serv price**	-	-1.2%
	Japan	Nov BoJ corp serv price	-	-0.2%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	UK	Nov monetary statistics	-	-
	UK	Nov consumer cred (new definition)	475m	451m
	Aust'lia	Oct building approvals	-	-11.6%
	Aust'lia	Oct building approvals no.	-3.5%	-8.1%
During the week...				
	Germany	Nov indust prod*	0.5%	1.6%
	Germany	Nov manufact output*	0.4%	1.6%
	Germany	Oct trade balance	6bn	5.8bn
	Germany	Oct current account	-4bn	-5.2bn
	Germany	Nov manufact orders*	0%	-0.2%
	Germany	Nov final M3	-	6%
	Germany	Dec final COL*	-	0.2%
	Germany	Dec final COL**	-	2.7%
	Italy	Oct trade balance	-	4.3trn
	Italy	Nov ex-EU trade balance	-	2.1trn
	Italy	Dec official cons'mer price indx*	0.3%	0.4%
	Italy	Dec official cons'mer price indx**	3.8%	3.7%
	Belgium	Dec unemployment	13.9%	14%
	Spain	3rd qtr wage dses	4.5%	4.8%
	Switz'd	Dec unemployment	4.5%	4.5%

*month on month, †seasonally adjusted **year on year. Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

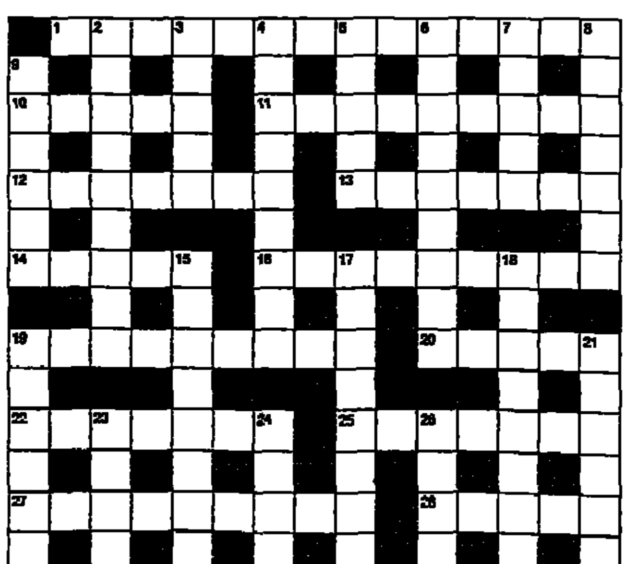
No.8,649 Set by GRIFFIN

ACROSS

1 Footwear the couple on an icy footpath needed? (4,2,9)
10 Where Belgium holds revolt (5)
11 Five court cases about middle-class holidays (9)
12 Monotony of drill work on motorway (7)
13 Simplicity of a net I've designed (7)
14 Doctor sick of exercise (5)
16 Free student I scolded (9)
19 Working on farm see fraternity member (9)
20 Company's Head Office exercise (5)
22 Put off introducing infrequent transport (7)
25 Staff caught volunteers returning smelly animal (7)
27 Aim to pilfer novel sound device (9)
28 Turn away a vicar, coming back on time (5)
29 Being about ten to hope Helen's getting in touch? (2,3,9)

DOWN

2 Fruit bun I agree needs cooking (9)
3 Commanded communist to go around mid-July (5)
4 Distance I've motored, initially in queues (4,5)
5 Labour leader said you can find missing Lord (5)
6 A trip arranged by shrewd bishop (9)
7 Climbing in before party, eat away (5)
8 Postpone upsetting us while away (7)
9 Bought off black bride, possibly (6)
15 Learner takes one timid person home in car (9)
17 Be taking on a role as Napoleon (9)
18 Count her fancy northern club (9)
19 Airmen backing artist on leave wanted medley (7)
21 Test a terrible container for one's property (6)
23 Little singer has raised gratuity 1p! (5)
24 Best French sleeping accommodation in Central Greece (5)
26 Lead from the local timber supplier (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday January 12, marked Monday Crossword 8,649 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday January 16.

Name.....

Address.....

Winners 8,640

Mrs D. Carter, Scunthorpe
G. Carter, London EC2
P.B. Gregg, Bakersfield, Nottingham
G. Hands, Chesham Bois, Bucks
P.J. Rowland, Brentford, Middlesex
K. Tomica, Friedrichsdorf, Germany

Solution 8,640